
NEW ZEALAND THOROUGHBRED RACING
Annual Report 2018-2019



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Who we are

We are Purei Hōiho Nāti O Aoteroa or New Zealand Thoroughbred Racing.

We launched our Maori name at the 2019 New Zealand Thoroughbred Horse of the Year Awards, on the eve of Maori Language week.

Purei Hōiho Nāti O Aoteroa acknowledges the long association between Maori and New Zealand racing.

Maori have been involved since the outset and have produced some outstanding horsemen and women, as well as significant administrators.

The Otaki-Maori Racing Club staged its first meeting in 1887 and now hosts a Group 1 race.

Sir James Carroll, or Timi Kara as he was known in Maoridom, was born in 1857 and was the first Maori to be knighted. In addition to his lengthy service as an MP and Minister, he played a major role in the development of racing on the East Coast of the North Island. A skilled rider at district race meetings in his youth, he served a lengthy term as

president of the Gisborne Racing Club, was a successful owner and became a respected advocate for racing during his parliamentary career.

Maori were also trailblazers in involving women in racing and a wahine race, for Maori women, is recorded as being held at an Ohinemutu race meeting in 1877, 100 years before the first female jockey won a totalisator race in New Zealand.

Once women riders were licensed, New Zealand racing embraced the concept and has become a world leader in providing opportunities for female jockeys, as was emphasised when Lisa Allpress clinched her third jockey's premiership this year.

Diversity has always been a feature of our industry and few sports can have active participants at the top level who range in age from teenagers to octogenarians.

It also encompasses a range of socio-economic groups, with all the participants united in the quest for the next winner or that elusive champion.

Many years ago, an English aristocrat noted that there were only two places where all people were equal – on the turf and under it.

That remains true today and is why we love this game.



“Maori have been involved since the outset and have produced some outstanding horsemen and women, as well as significant administrators.”

Industry insights



\$59.9m

TOTAL PRIZEMONEY



3,573

FOALS



66

CLUBS

4,812 HORSES STARTED AT LEAST ONCE IN THE 2018-19 SEASON

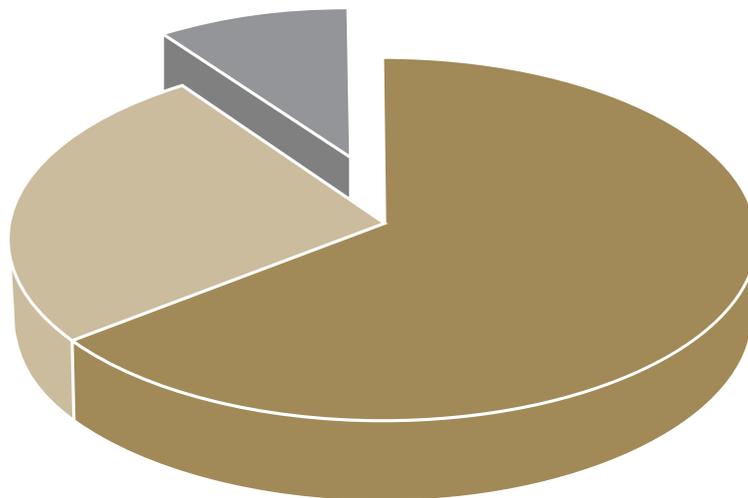
10.49 AVERAGE FIELD SIZE

2,582 RACES

27,098 STARTS

Total NZTR income allocated to costs FY19

100% TOTAL NZTR INCOME (INCL RITA FUNDING & NZTR INCOME, EXCL. SURPLUS)



64.59%

● STAKES FUNDING

25.46%

● CLUB, MEETING & INDUSTRY FUNDING

9.95%

● NZTR EXPENSES
EXCL. SURPLUS & SHARE IN THE RACES LTD PARTNERSHIP

**NEW ZEALAND
THOROUGHBRED
HORSE OF
THE YEAR
AWARDS**





Chairman's statement

DR ALAN JACKSON

INTRODUCTION

With release of the Messara Report in late August last year, the New Zealand racing industry was presented with a foundation document for much-needed change. It provided impetus for the significant transformation necessary if our industry is to remain competitive in an increasingly complex and competitive wagering world.

Both Racing Minister Winston Peters and John Messara emphasised the need for urgent action, but the wheels of Government tend to have cautious drivers. We must maintain the faith and assume that the pace of reform reflects the importance of getting the new legislation right, rather than any reluctance to embrace the significant change required.

As result of the anticipated changes, we are looking forward to NZTR having greater autonomy over our code, increased returns to the industry and to potential changes to the current funding model. However, the Racing Industry Transition Agency (RITA) has inherited a balance sheet and profit performance that will make just maintaining the current funding level difficult enough.

While we acknowledge that some of our stakeholders will have been frustrated by the apparent lack of progress, it is important that the industry stays positive. We need to continue to present a united front and not

waver in our determination to embrace the significant change required.

Purei Hōiho Nāti O Aoteroa - New Zealand Thoroughbred Racing – remains confident that the bulk of the report's recommendations can and will be implemented but it is going to take longer than we had hoped.

TAB REVENUE

It is pleasing that the Racefields and Point of Consumption Taxation (POC) legislation is in the pipeline, but we believe equal weight should be given to finding an international Joint Venture partner for the NZ TAB. NZTR has long championed the need for the NZ TAB to enter into a partnership with an international wagering operator, and this view was endorsed by the Messara Report.

A suitable partnership would overcome the current lack of scale, which has consistently hampered the NZ TAB business model, and both increase revenue and reduce costs. The concept is often misunderstood and sometimes characterised as meaning that we would lose control of our domestic product. This is not the case as witnessed in Australia where every state has or is entering a wagering agreement with an international operator.

If the NZ TAB continues to take on the world on its own, our industry simply cannot realise its full potential.

However, even with the best will in the world, establishing a partnership will be a multi-year project and it must be a priority for RITA and the industry before the NZ TAB's attractiveness to other parties is eroded further. In the meantime, NZTR will continue to press for an effective partnership with an international wagering partner as it would provide a significant boost to the industry including improvements in our domestic racing product, and better international marketing. Efficiencies gained via the venue plan and infrastructure improvements will also lift the returns and hence participation. The prize may not be as big as it would have been when partnering was first mooted but it can still be significant.

FUTURE STRATEGY

Over recent years it has been difficult to make firm plans for the immediate future while there has been much uncertainty over the timing and extent of code distributions.

Under the present revenue model, NZTR has been almost entirely dependent on the TAB



distribution to fund our stakeholders, and being so reliant on another organisation, which hasn't always shared our views on the best way forward, has been frustrating.

However, NZTR cannot stand still and has released a five-year strategy which will provide the opportunity to revitalise the industry we are all so passionate about assuming increased funding of at least \$10m extra to Thoroughbreds building over the next three years. The initial year's investment can be covered primarily by NZTR at current funding levels.

TARGETS

Our targets are a balance between immediate need and aspiration. We are anticipating that our stated strategic goals will be underwritten by the additional duty and racefield payments NZTR will receive, some of which are already in the pipeline.

We also have assumed that returns to the industry from the TAB's wagering improves and does not decline further. We have not taken into account anticipated partnering benefits and we will closely monitor the assumptions and our actions going forward. Flowing from the initiatives our aim is to:

- increase returns to our stakeholders, and particularly our owners. At present, we return below 35 percent to our owners and we want to lift that to 40 percent
- target a 10 percent lift in the number of owners. We currently have an aging group of owners and growing our

ownership base will have a positive outcome for all sectors of the industry

- lift participation in our sport through digital engagement and increasing on-course attendance at our top events. Digital engagement is now a vital component for most businesses and NZTR has made good progress with the LOVERACING.NZ website and we will be aiming to lift the active monthly site-users from 70,000 to 100,000.

In addition to our major priority of increasing returns – and reducing costs - for our owners and other stakeholders there will be significant spending on clubs, track infrastructure and growth initiatives. These include:

- revamping and improving our racing programme with the aim of lifting turnover on New Zealand racing from \$900m to \$1.2 billion. This will require NZTR to work actively with clubs to improve the reliability of track surfaces, with emphasis on maintenance and renovation programmes
- establishing racing carnival windows and we are already working with the Auckland and Wellington racing clubs on developing an autumn carnival period
- marketing our product in Australia to racing portals and websites to promote support for the code and drive racing fees
- a revised club funding model, based on the "Club of the Future." Part of this will involve governance training for Club

committees and Boards.

Finally, and no less importantly, we are looking at the establishment of a national training and education academy to develop our people and skills and make Thoroughbred Racing an attractive career choice.

These are testing but achievable targets and your Board is also aware of the dangers of over-promising and under-delivering, which was too often the case with the New Zealand Racing Board revenue targets in recent years. We will continue to engage with RITA to provide assurance that the increased revenues outlined in the Messara Report are diligently pursued.

FINANCIAL RESULT

NZTR recorded a profit of \$1,088,437 for the 2018-19 financial year, a figure that dropped to \$708,759 before The Races Limited Partnership (TRLP) surplus of \$379,678, which was reinvested into TRLP for the new season.

The final surplus was bigger than expected but was only possible after some planned expenditure was deferred to help fund the extra costs expected in the digital and venue programmes in the new season. Larger grants than anticipated from RITA Enhancement Funds also contributed to the surplus.

NZTR operated on a tight budget during the year but there was still an increase in expenses. RITA broadcast and venue services, for example, rose by \$390,000 and are expected to rise again in the current season.





“Our targets are a balance between immediate need and aspiration. We are anticipating that our stated strategic goals will be underwritten by the additional duty and racefield payments NZTR will receive, some of which are already in the pipeline”

ACKNOWLEDGEMENTS

The racing industry has been fortunate that the Rt Hon Winston Peters has continued to serve as Minister for Racing, despite the other demands on his time. To have a senior member of the Government, and someone with a genuine desire to see the industry prosper, as the Minister is a real asset for our sport. We appreciate the Minister’s efforts and look forward to working with him as we seek to lock in the changes needed to future-proof New Zealand racing.

I must also acknowledge the work of retiring RITA Chief Executive John Allen, who will step down at the end of the year, after five years as CEO. Though the NZTR Board and John have not always agreed on the way forward for racing, the relationship was always a cordial one.

It was another busy year for the NZTR Board and I thank my fellow Board members, particularly Deputy Chair Victoria Carter, Jason Fleming and Rick Williams who shouldered an increased load after two vacancies occurred during the year.

Cameron George, who has held a variety of senior racing roles, joined the Board on May 1, after Rodger Finlay, who joined the Board in August 2016, stepped down to concentrate on his other government roles. In addition, Bruce Sharrock joined the Board on September 1 this year, replacing Dean McKenzie, who resigned to take up the role

of chair of RITA. Bruce brings a wealth of sports management and business expertise to the Board.

Finally, I must also record the Board’s appreciation for the work of the NZTR executive team and staff. We are fortunate to have a CEO with Bernard Saundry’s experience and skills and he leads a small but skilled workforce who work in an increasingly complex industry and with stakeholders who have high expectations.

For many of our staff, their prime motivation is a love of racing and we should all appreciate the passion which drives their efforts.

My very best wishes to you all for your racing endeavours in the coming season and be assured NZTR will continue to pursue the initiatives that allow the industry to reach its potential.



Chief executive's report

BERNARD SAUNDRY, CEO

RACING ACTIVITY

Glamour mare Melody Belle dominated the domestic racing scene in the 2018-19 season.

In marked contrast to the previous year, when no New Zealand-trained horse won more than once at Group I level, Melody Belle recorded five Group I wins.

In all, she recorded six group wins from eight attempts, ranging in distance from 1200m to 2000m and earned more than \$700,000 for the season.

She is the first horse to win five Group I races in New Zealand in a single season and only one other – Seachange – has managed four in a season.

All of Melody Belle's wins came at weight-for-age, which illustrated both her quality as a racehorse and the changing nature of group racing in New Zealand.

Group and Listed races became part of New Zealand racing in the 1977-78 season and the initial list of 17 Group I races included just three weight-for-age contests. The bulk of the Group I open races were run under handicap conditions, making it difficult for any horse aged four or above to record multiple Group I wins.

There were still just five weight-for-age races among the 19 races with Group I status in the 1988-89 season. The elite list did not

include any of the races that now make up the Hastings Triple Crown and the Levin Classic, Waikato International (Herbie Dyke), and New Zealand Thoroughbred Breeders' Stakes had Group II status and the Otaki WFA (Haunui Farm) was a Group III event.

There was a very different pattern for the 2018-19 season, with not a single handicap race having Group I status. The 21 Group I races comprised 10 weight-for-age contests, seven races restricted to two or three-year-olds and four were run with set weights and penalties.

There will be 11 Group I weight-for-age races in the 2019-20 season, with the Telegraph at Trentham to be run at weight-for-age, rather than set weights.

Melody Belle is not the first New Zealand-trained galloper to record five Group I wins in a season. It is an achievement she shares with Ocean Park (2012-13), Veandercross (1992-93) and Rough Habit (1991-92) who all recorded at least three of those wins in Australia.

But by any standards it was a stunning season for Melody Belle and her connections, and she gained all but two of the 61 votes cast for Horse of the Year.

Bostonian was the sole New Zealand-trained galloper to win a Group I race in Australia during the season and managed the rare

feat of twice beating the leading Australian sprinters at their own game.

Madison County was the top New Zealand three-year-old, winning the Two Thousand Guineas and finishing second in the Australian Derby, while Melody Belle's stablemates Yourdeel and Probabeel were the star juveniles.

Glory Days, who began the season in Rating 72 company, ended the term unchallenged as the premier stayer, recording decisive and successive wins in the Avondale and Auckland Cups, before being placed in the Sydney Cup. Glory Days and Comeback were the most prolific winners over the season, with seven apiece.

Danzdanzdance raced consistently well in weight-for-age company and Te Akau Shark produced probably the most spectacular performance of the season with a runaway victory in the Coupland's Mile, a run which earned him an international rating of 117.

Jackfrost became the first South Island-trained horse to be voted Jumper of the Year since Loch Linnhe (1976). Jackfrost was also the first horse since 1985 to win both the Grand National Hurdles and Great Northern Hurdles in the same year.



PEOPLE AND PREMIERSHIPS

Lisa Allpress has two reasons to remember her season fondly, winning the jockeys' premiership for the third time and bringing up win No. 1500 in New Zealand. She also fulfilled a long-held ambition when earning an invitation to the World All-Stars Jockeys series in Japan.

Allpress, who won 133 races, was particularly pleased to record another premiership win after a serious shoulder injury, in October 2017, led to fears that it would end her career.

Her feature wins included the New Zealand Oaks but she had to bow to Opie Bosson in voting for Jockey of the Year. Bosson, who was winning the award for the fifth time, won six Group I races in New Zealand from just 12 attempts and his overall strike rate was the best of any jockey in the top 50 on the premiership.

The training partnership of Murray Baker and Andrew Forsman was named Trainers of the Year for the third successive season and for the fourth time in the past five years. Baker, who had prepared the previous five Horse of the Year winners, was also a deserving recipient of the prestigious NZTR Contribution to Racing Award.

Baker has won more Group I races in Australia than any other New Zealand-based trainer and his stable has set new benchmarks for New Zealand racing in terms of wins, stake earnings and black-type success. The stable has recorded 105 black-type wins over the past five seasons, including 78 group wins and 23 at Group I level.

ENCOURAGING FIGURES

These are challenging times for racing but the end of season statistics produced some encouraging figures.

For the first time in a decade, the number of individual starters in New Zealand was up on the previous year. The increase was not large but it halted what had been a steady decline since 2009.

Owners are a vital part of any racing jurisdiction and a key focus for NZTR will be improving the ownership experience, as well as the returns, over the next few years.

The number of starts in New Zealand was up on the previous two years, again reversing what had been a steady reduction.

Field sizes are an important factor in encouraging betting turnover and good field sizes, particularly in the autumn, helped lift the average field size for the 2018-19 season to 10.49, a figure bettered only once in the last six years.

We acknowledge that the number of races run in a season has also been on a downward trend, which helps boost field sizes, but there were still more races run in 2018-19 than in the two previous years.

STATISTICAL SNAPSHOT

	2018	2019
NZ Thoroughbred turnover	\$401.9m	\$404.8m ▲
Prizemoney Paid	\$59.3m	\$59.9m ▲
Average Prizemoney (per race)	\$23.1k	\$23.2k ▲
Races Run	2,568	2,582 ▲
Individual Starters	4,744	4,812 ▲
Total Starters	26,666	27,098 ▲
Average Field Size	10.38	10.49 ▲
Live Foals	3,655	3,573 ▼

STAKE LEVELS

NZTR is committed to improving returns to owners.

There has been progress in recent years, though that can be overlooked when our stakeholders gaze enviously at the stake money available in Victoria and New South Wales.

Total prizemoney paid in the Thoroughbred code in New Zealand has increased virtually every year since 2012, when \$47.3m was paid out, a figure that rose to \$59.9m in 2018-19.

2018/19 STAKES INCREASED



There has been a 20.12 percent increase over the last six years, with a compound annual growth rate (CAGR) of 3.10 percent over the last five years.

These might not be giant steps but are still significant and the \$6.2m increase in total stakes between 2016-17 and 2018-19, in addition to boosting returns for owners, also provided another \$930,000 in percentages for trainers and riders.

The average prizemoney per race rose to \$23,200 in the past season, compared to \$15,400 in 2012.

HORSE WELFARE

Like many jurisdictions, NZTR is putting an increasing emphasis on horse welfare.

As the New Zealand population becomes more urban-based, less people are familiar with farm animals and their traits. Our industry cannot assume that most people will recognise and empathise with the care and attention our stakeholders lavish on the Thoroughbred.

Animal welfare issues are much more prominent in the public arena, including social media, than was the case 15 years ago and our sport needs to show that we are aware of our responsibilities.

That includes improving the traceability of our horses and continuing to work at finding new careers and homes for the retired Thoroughbreds.

NZTR has done a huge amount of work on developing a welfare policy that is fit for the time.

There is also growing unease among the public about the use of the whip on race day. Whip guidelines are regularly reviewed and have been adjusted again in the new season.

The reduction in the use of the whip is one of the most obvious differences between racing now and racing 15 years ago but there is little doubt that the industry will soon be involved in discussions as to whether whip use should be restricted further.



LOVERACING.NZ

The NZTR website and LOVERACING.NZ brand continues to attract a growing audience. While the traditional media, and particularly newspapers, have reduced their racing coverage, social media and the internet in general have opened exciting opportunities to grow our engagement with both our supporters and the general public. Accordingly, we as an industry are readjusting as we adopt new methods of communication which allow us to engage with a much wider audience.

VENUE PLAN

The first phase of the NZTR venue plan was released during the season.

The initial consultation document recommended that 10 clubs relocate for the following season but following submissions, it was decided that the Wairoa RC, Marlborough RC and the Reefton JC would continue at race at their present venues, subject to specified improvements. The futures of all three venues will be reassessed for the 2024-25 seasons.

The Dargaville RC, Thames JC, Stratford RC, Westland RC, Waimate JC, Winton JC, and Wyndham RC will not be racing at their traditional venues in the new season, though in the case of Dargaville, Thames, Waimate

and Wyndham, the clubs had already raced away from home on occasions in recent years.

Suggestions that clubs switch venues tend to meet with strong opposition from the affected clubs, but it has long been obvious that the industry is not in a position to justify racing on 49 different tracks.

Several clubs have centralised over the last 30 years, usually with good results, and a further reduction in track numbers is an economic necessity. We need to concentrate on improving our premier tracks, which are the industry's shop window. More consistent and reliable track surfaces are an important requirement if we are to create confidence in punters.

A change of venue does not remove a club's history and merely changes the home ground, as has happened with a host of famous sporting clubs around the world. The clubs who benefit most will be those which see a shift as an opportunity rather than a setback.

NZTR is also hopeful that clubs will do further work on finding regional solutions and there are some potentially exciting developments in prospect, particularly in the northern regions.

GST REFUNDS

This year NZTR received the decision of the High Court about the GST treatment of stakes in the test case Canterbury Jockey Club v Commissioner of Inland Revenue. The decision confirmed that racing clubs are entitled to claim GST input tax deductions for stakes payments made to GST registered trainers and riders.

This test case was the culmination of many years work by past and present NZTR staff and directors, and, in particular, NZTR records its gratitude to Greg McCarthy. The outcome has improved the tax position of GST-registered owners and, in addition, has enabled the distribution of over \$3 million in refunds to owners who have earned stakes over the last five years. This was a major undertaking on behalf of NZTR's finance team.

RIDE TO TIME

Around 150 young riders took part in the national LOVERACING.NZ Ride to Time programme during the season and that number is expected to increase in the next year.

The programme, which was introduced in the 2017-18 season, is a joint initiative between NZTR and the New Zealand Pony Clubs

Association and enables the riders to learn the basics of riding trackwork.

Each cohort receives expert tuition from either Noel Harris or David Walsh, with an emphasis on riding a horse at a given pace, over a given distance. These skills will be applicable to a number of equestrian disciplines, but the focus is on the opportunities available in the Thoroughbred industry.

The courses were held at Blenheim, Cambridge, Cromwell, Hastings, Matamata, Pukekohe, Riccarton, Ruakaka, Waipukurau and Wingatui.

NZTR SERVICE AWARDS

These were introduced during the season as a way of acknowledging members of the racing community who have made lengthy but usually unpaid contributions to our industry.

These are people who have been motivated by a passion for racing and have made a difference, particularly, but not exclusively, at a local level and usually in more than one role.

It has been humbling to see their responses when they have received their awards and we look forward to rewarding more members of our community in the new season.

Most of the recipients have been involved in club administration but include paramedics, raceday judges, sector administrators, track

managers and JCA panellists.

Those who received a service award during the 2018-19 season were: Barrie Barber, Barbara Blackie, Roger Blake, Tom Brown, Paul Claridge, Garry Foskett, Tom Fraser, Steak Goodin, Dave Hay, Dick Hunt, Darcy Julian, Kath Julian, Vicki Pascoe, and Richard Seabrook.

APPRECIATION

Keeping the wheels moving in the New Zealand Thoroughbred industry has become an increasingly complex assignment. Changes in the wagering landscape, compliance requirements and increasing competition for the leisure dollar are putting pressure on all sectors of the industry.

As a result, we are asking a great deal from those who work within the industry, whether paid or voluntary, and you can be assured that we appreciate your efforts and your passion.

My special thanks to the NZTR Board, who have had to grapple with a variety of major projects and to the NZTR staff, a small but dedicated group who continue to tackle often difficult tasks with enthusiasm and skill.

I want to thank retiring RITA Chief Executive John Allen for his continued enthusiasm and dedication in what has been a difficult position and acknowledge the work of Edward Rennell, who stepped down in December after more than 20 years as the Harness Racing NZ Chief Executive.



“Around 150 young riders took part in the national LOVERACING.NZ Ride to Time programme during the season and that number is expected to increase in the next year.”



Board profiles



DR ALAN JACKSON CHAIRMAN

Alan has had over 30 years of international business experience across a wide spectrum of industries and disciplines including public and listed companies and racing bodies in three countries.

He has undertaken consulting for RWWA, Racing NSW, Racing Victoria and was Chair of TVN in Australia. His current governance roles include independent directorship of Delegat Group. He was a founding Director of the New Zealand Racing Board between 2003 and 2006 and again a Director in 2012-13 including serving briefly as Chairman of NZRB. Along with his wife Colleen, Alan is a successful owner and breeder of Thoroughbreds.



VICTORIA CARTER ONZM DEPUTY CHAIR

Victoria has over 20 years' experience in governance roles as an independent Director of public and private companies and Chair of several large charities. She is a Director of NZTA and the Auckland Regional Amenities Funding Board. Victoria founded Cityhop carshare. A former Auckland City Councillor, she is a Chartered Fellow of the NZ Institute of Directors. Victoria has a Bachelor of Laws from the University of Auckland.

She was a Director of the Auckland Racing Club and Chairman of the NZTR Members' Council. She breeds and races horses with her husband. In 2016 Victoria received an ONZM for services to arts, business and the community.



RICK WILLIAMS

Rick is General Manager of The Oaks Stud in Cambridge. He has had 30 years of experience as an owner, breeder and manager of commercial stud farms in New Zealand.

He graduated from Massey University with a Bachelor of Agricultural Science majoring in Farm Management, Economics and Marketing. He managed Waikato Stud and Bloomsbury Stud before being appointed General Manager of The Oaks Stud and Manager of The Oaks Racing Team.

He served on the Council of the Thoroughbred Breeders' Association for seven years.



JASON FLEMING

Jason is the Managing Director of a financial services company based in Hawke's Bay. Jason holds a Bachelor of Laws and Bachelor of Arts (Political Science) from Victoria University. Following admission to the Bar he developed a career in structured finance overseas and upon his return to New Zealand was the CEO of East Coast Racing and Hawke's Bay Racing Incorporated.

He has been active in the Thoroughbred industry as a breeder and owner, after developing a deep appreciation for the industry while working as a stable hand for champion trainer John Wheeler during holidays from studies.

He is a member of the Institute of Directors and acts as a consultant for not-for-profit organisations in Hawke's Bay.



CAMERON GEORGE

Cameron is CEO of the Vodafone Warriors. Previously Cameron worked within the Australian and New Zealand Racing Industries in the integrity and commercial sectors. Since joining the NZ racing industry in 2006 he has been involved in significant change and reform at the coal face and governance of the industry.

Cameron is an active racehorse owner in NZ and Australia and enjoys a day at the races having a beer and punt with the people of the industry. Cameron's view is he represents the industry on the NZTR Board and will be a strong, decisive and ambitious leader of the industry to get the best outcomes for all participants.



BRUCE SHARROCK

(Appointed September 2019)

Bruce has had over 20 years in the professional Sports Management Industry. He is currently a founding Director of Esportif, a Global leader in the management of leading Rugby Union and Rugby League talent as well as providing advisory services to many professional clubs and national Unions through the Esportif Intelligence Division. The company now has offices across the Globe in all the major Rugby playing nations.

Bruce has owned and bred Thoroughbreds and been part of a racing family all his life. His late father Bob also had a lifelong involvement, while his brother Allan currently holds a trainers' licence.

GOVERNANCE

The Constitution of New Zealand Thoroughbred Racing Incorporated determines the composition, selection and duties of its Board of Directors. This is supported by a Board Charter and a Board Code of Conduct.

New Zealand Thoroughbred Racing supports the need for the highest standards of behaviour and accountability from Directors, and endorses the principles set out in the Code of Proper Practice for Directors approved by the Institute of Directors in New Zealand (Inc).

New Zealand Thoroughbred Racing is governed by a Board of six independent Directors.

Appointments to the Board are for three year terms and for a maximum of three terms.

The Board met eight times in 2018-19, excluding several sessions on strategy, teleconferences and circular resolutions.

Rodger Finlay resigned with effect from the 2018 AGM. The Members Council appointed Cameron George as his replacement.

Dean McKenzie was granted a leave of absence in December 2018 during his time on the Ministerial Advisory Committee, and, following his appointment to the Racing Industry Transition Agency, resigned from the Board in July 2018. His replacement, Bruce Sharrock, was appointed in September 2019.

Board members with perceived or real conflicts of interest are excluded from Board discussions and decision making.

The Appointments & Remuneration Committee reviews all expense claims of the Chief Executive and oversees a formal performance review process for all NZTR staff.

A Members' Council, comprising six members elected by racing clubs (three from each of the two geographical regions) and three members appointed by recognised sector organisations (Owners, Trainers and Jockeys, and Breeders), is charged with responsibility for all aspects of the appointment, appraisal and termination (if required) of the six independent Directors.

NZTR STATUTORY ROLE

It is anticipated that changes will be made to NZTR's statutory role and functions as part of the industry reform process, to enable NZTR to take more responsibility for its own destiny as part of an overall suite of legislative reforms intended to improve the financial viability of the industry.

NZTR is established as a racing code under the Racing Act 2003. Pursuant to the Act, NZTR's functions are to:

1	Receive and allocate Racing Board Distributions to the Thoroughbred Code	(a) Receive distributions paid to the code by the Board under Sections 16 and 17. (b) Determine how much of those distributions must be distributed among registered racing clubs, and apportion and pay those amounts (Section 25).
2	Regulate the Conduct of Thoroughbred Racing	(a) Make, maintain and publicise racing rules for the Thoroughbred code. Those rules may, subject to the general law, provide for any matter relating to the conduct of races and racing that the racing code thinks fit (Sections 29 and 32). (b) Amend those racing rules, subject to consultation, approval and notification requirements (Sections 30 and 31). (c) Enforce those racing rules (Sections 33-35). (d) Participate in making appointments to the Judicial Control Authority that oversees adjudication and enforcement of those rules (Sections 36-38).
3	Set Objectives and Demonstrate Accountability	(a) Prepare a 3-year statement of intent and business plan, including the Thoroughbred code's policy for distributing funds received from the Board, and deliver those documents to the Racing Board (Section 23). (b) Prepare and send to the Racing Board audited financial statements (Section 28).
4	Participate in the Racing Board's Governance and Decision Making	(a) Directly nominate one member of the Racing Board's governing body and participate in recommending three other members (Sections 11 and 12). (b) Consult with the Racing Board about: (i) the Board's business plan (Section 20) (ii) the determination of racing dates (Section 42) (iii) the terms of reference for performance and efficiency audits of the Racing Board (Schedule 2).

LOVERACING.NZ

OUR FAN BRAND

Launched in September 2018, LOVERACING.NZ is NZTR’s single-facing customer brand.

This brand is positioned at the centre of our marketing and promotional plan and our aim is to deliver New Zealand Thoroughbred Racing as a world-class participation sport that anyone and everyone can experience.

Our core focus is to promote the passion of our participants, beauty of the horse and glory of the sport in a way that drives an emotional attachment and moves people from engaging with the sport, to becoming a Thoroughbred racing fan.

The goal is for LOVERACING.NZ to be supported by our stakeholders as the fan brand for NZ Thoroughbred racing - LOVERACING.NZ is racing’s biggest fan!

LOVE RACING. OWN RACING.

With ownership being a key focus for NZTR, the LOVE RACING. OWN RACING sub-brand was developed to ensure owners have a more consistent and premium experience

across their ownership journey. The sub-brand sits across ownership communication, NZTR-led ownership events, on-course and across any external facing ownership campaigns.

One of the key ownership initiatives currently being worked on is the upgrade of owners’ areas on-course. We are working with a number of Clubs to revitalise their owners’ areas – aiming to provide a more premium experience for owners on-course.

To ensure a consistent look and feel in appearance, the areas will be branded LOVE RACING. OWN RACING.

OUR OBJECTIVES

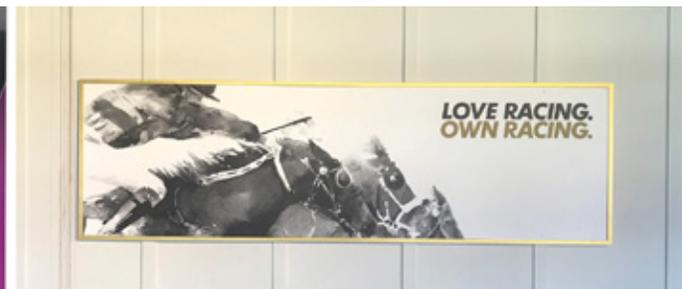
- To grow awareness and relevance of Thoroughbred racing.
- Promote racing as a sport.
- To influence participation in Thoroughbred racing across a range of forms – whether this be horse ownership, breeding, event attendance, punting or even careers.
- Attract investment into the industry.
- Promote this under a single umbrella brand and ensure a consistent experience across all touch points.

WORKING TOGETHER

As the brand continues to develop, we aim to closely align our activity and collaborate with Clubs to deliver an improved Thoroughbred experience – both digitally and on-course.

With a number of key initiatives already underway, we are looking forward to further strengthening our relationships with our key stakeholders.

We are currently working with Clubs to provide LOVERACING.NZ signage on-course, along with the branded strapper bibs and blankets for use at non-sponsored races/racedays, with more exciting plans to come!



LOVERACING.NZ DIGITAL

With the introduction of the LOVERACING.NZ brand we retired the previous URL of nzracing.co.nz and at the same time invested in a “reskin” of our website to enable better delivery of news and content.

The core focus of our content strategy is to showcase our horses, our people and the thrill of the New Zealand Thoroughbred industry through engaging content distributed across various digital channels and platforms.

Together with a team of experienced contractors, the LOVERACING.NZ content team provide daily racing news, carnival coverage and behind the scenes content to inform, entertain and educate our highly engaged social and digital audience.

In the 12 months since the launch we have grown key statistics across traffic and engagement and this sets the future goal for LOVERACING.NZ to become the one-stop destination for all racing fans.

TOP FACEBOOK POSTS

Have your say



24,500
REACH **3,887**
ENGAGEMENT

Remembering our War Horses



20,584
REACH **1,305**
ENGAGEMENT

Kids on course

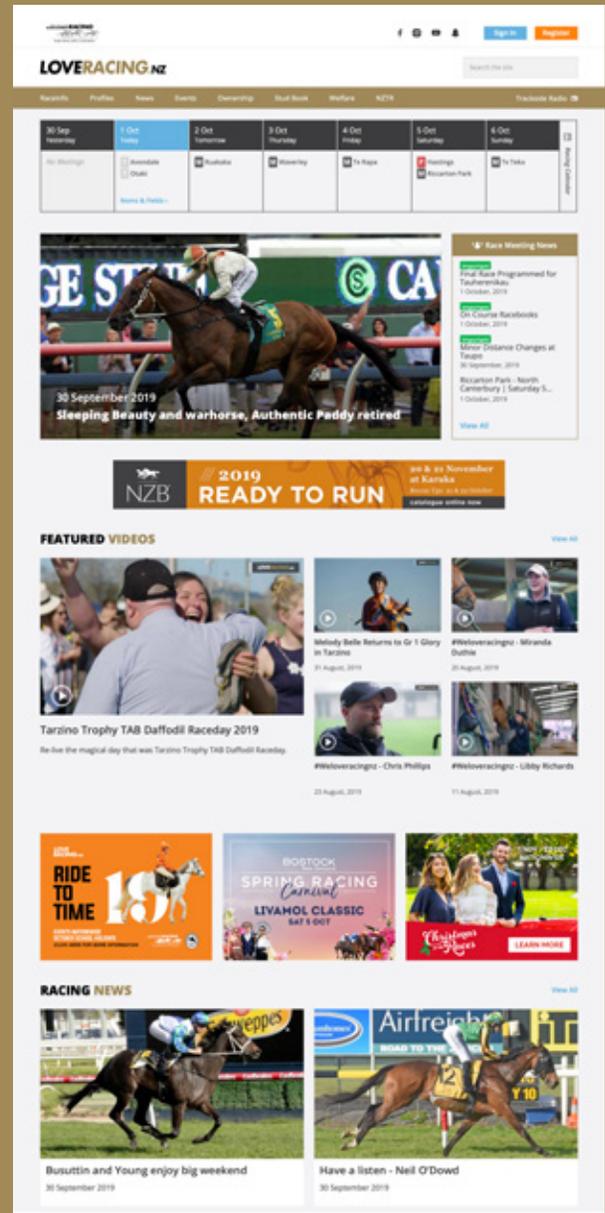


20,166
REACH **3,821**
ENGAGEMENT

Vale Trevor McKee



18,961
REACH **2,291**
ENGAGEMENT



LOVERACING.NZ DIGITAL STATISTICS



+9%

UNIQUE SITE VIEWS



33m

PAGE VIEWS



70,000

ACTIVE SITE USERS
JULY 2019



27,000+

FACEBOOK
FOLLOWERS



3.7m

REACH ON FACEBOOK



Kaitiakitanga: Thoroughbred welfare – at the heart of what we do

The New Zealand Thoroughbred racing industry is committed to the welfare of the New Zealand Thoroughbred racehorse and the maintenance of appropriate horse welfare standards. This reflects the Maori term ‘Kaitiakitanga’, meaning: guardianship, caring of, protection, upkeep.

NZTR has spent the past two years polishing its Thoroughbred Welfare Guidelines and the rules which support these guidelines. This period of time has been necessary to ensure the framework is well considered and reflects the knowledge and perspectives provided by industry participants, equine experts, and external stakeholders including the SPCA and Ministry for Primary Industries. NZTR is grateful to all who have contributed to this process.

Our Thoroughbred Welfare Guidelines are created around the Five Domains model of Thoroughbred welfare which defines optimal

provisions and aims to reduce avoidable negative experiences and ensure our horses enjoy a life worth living.

This extends further in New Zealand Thoroughbred Racing’s vision for Thoroughbred welfare:

“A Thoroughbred should be provided a good life, with the care and conditions that allow it to thrive and perform to its natural abilities.”

In developing the guidelines, NZTR has been fortunate to have worked in partnership with Professor Emeritus David Mellor (Massey University) who is globally recognised in the animal welfare field for his development of the Five Domains model for animals generally.

As part of our welfare strategy we have also made amendments to the Rules of Racing to allow for better traceability of our horses from birth to death. It will be a requirement for those involved with Thoroughbreds to promptly submit information relating to foaling, changes of ownership, location, and death or retirement. There is also clear onus upon a racehorse’s owner to ensure they sell or re-home their horse to appropriately skilled persons with an appropriate property for horses (among other rules).

NZTR has been careful to ensure that the broader suite of welfare amendments is complementary to the Animal Welfare Act (and related Codes and Regulations) and we will progress development of protocols with the Racing Integrity Unit, the SPCA and Ministry for Primary Industries to ensure that any future welfare concerns that arise are dealt with appropriately.

PARTNERSHIPS APPROACH

NZTR’s strategy for Thoroughbred welfare has for many years involved collaboration with partners with common goals in the welfare of the horse. Key partners are outlined in the diagram below.

NZTR commitment to Thoroughbred welfare with the horse at the heart of all we do

- NZTR Rules of Racing
- International Federation of Horse Racing Authorities
- Racing Integrity Unit
- Judicial Control Authority



- Minister’s Racing Safety Development Fund
- Minister for Racing
- Minister of Primary Industries



THOROUGHBRED WELFARE

- NZ Equine Health Association
- NZ Animal Advisory Committee
- SPCA
- Equestrian Sports NZ



- NZ Equine Vet Association
- NZ Equine Research Foundation
- Massey University/Equine Trust
- NZ Horse Ambulance Trust



NZTR Committees & Trusts 2018-19

It is anticipated that changes will be made to NZTR's statutory role and functions as part of the industry reform process, to enable NZTR to take more responsibility for its own destiny as part of an overall suite of legislative reforms intended to improve the financial viability of the industry.

These committees and trusts had the following membership in 2018-19.

The Audit and Risk Committee

Comprises three people appointed by the Board. All Directors may attend meetings of the Committee. The Committee met 4 times outside of regular Board meetings in 2018-19.

Chair

Jason Fleming

Members

Victoria Carter, Alan Jackson

Secretary

Karen Larsen

The Appointments and Remuneration Committee

Comprises two people appointed by the Board. All Directors may attend meetings of the Committee. The Committee met 4 times in 2018-19.

Chair

Victoria Carter

Members

Alan Jackson

Secretary

Karen Larsen

The Integrity Committee

Comprises three people appointed by the Board. All Directors may attend meetings of the Committee. The Committee met 4 times in 2018-19.

Chair

Peter Hutt

Members

Jason Fleming, Ben Nettleton

Secretary

James Dunne, Colin Hall

The Training & Development Committee

Chair

Peter Hutt

Members

Rick Williams, Chris Watson, Colin Hall, Wendy Cooper, Martin Burns, Anna Jones, Bridget Flynn, John Oatham, Michael Pitman

General Trust Fund*

The Trustees met once during the year.

Chair

John Rattray

Trustees

Keith Neylon, Colin Jenkins

Secretary

Karen Larsen

Apprentice Jockeys' Fund*

Trustees

Alan Jackson, Bernard Saundry

Secretary

Karen Larsen

MEMBERS' COUNCIL

Bill Cotton (Chair)

Southern region

Murray Gibson

Northern region

Nigel Tiley

Trainers & Jockeys

John Wheeler

Central region

John Thompson

Breeders

Paul Humphries

Central region

Howard Clarke

Southern region

Karyn Fenton-Ellis

Northern region

Neil Oldfield

Owners

*The annual financial accounts and audit reports are tabled at a full NZTR Board meeting during the year.

Club statistics

NZTR Club turnover, stakes and funding statistics 2018-19 season.

THOROUGHBRED CLUBS	MEETINGS	RACES	STARTS	TOTAL OFF-COURSE TURNOVER	TOTAL ON-COURSE TURNOVER	TOTAL NZ TURNOVER	EXPORT TURNOVER (\$NZD)	TOTAL STAKES PAID	CLUB NOMS & ACCEPTS & OTHER CHARGES/PAYMENTS	NET STAKES	TOTAL CLUB, MEETING & STAKES FUNDING	NET STAKES TO FUNDING RATIO
Ashburton RC	6	51	571	5,708,754	168,184	5,876,938	5,422,817	820,225	5,850	814,375	1,031,238	78.97%
Auckland RC	19	162	1,765	42,579,950	5,311,859	47,891,809	23,436,673	10,565,825	1,217,804	9,348,021	10,311,124	90.66%
Avondale JC	8	64	679	7,967,584	287,423	8,255,007	7,465,393	778,500	0	778,500	1,091,976	71.29%
Banks Peninsula RC	1	10	107	1,089,730	51,661	1,141,391	1,166,407	116,000	0	116,000	162,898	71.21%
Beaumont RC	1	7	70	546,151	77,150	623,301	589,922	87,000	0	87,000	137,944	63.07%
Cambridge JC	2	18	213	3,423,418	128,486	3,551,904	2,278,001	428,500	23,450	405,050	533,407	75.94%
Canterbury Racing	23	203	2,302	33,276,496	2,679,739	35,956,235	25,568,770	6,603,375	552,382	6,050,993	7,602,428	79.59%
Central Otago RC	1	8	76	773,984	82,818	856,802	824,926	102,000	0	102,000	151,515	67.32%
Counties RC	12	106	1,233	14,080,097	712,217	14,792,314	10,552,302	1,793,500	40,900	1,752,600	2,318,081	75.61%
Dargaville RC	0	0	0	0	0	0	0	0	0	0	10,000	0.00%
Egmont RC	3	24	294	3,683,733	142,837	3,826,570	3,218,794	442,000	12,750	429,250	548,932	78.20%
Feilding JC	3	24	287	3,899,240	235,361	4,134,601	3,250,866	434,500	14,250	420,250	581,587	72.26%
Foxton RC	0	0	0	0	0	0	0	0	0	0	10,000	0.00%
Gore RC	3	24	231	2,315,893	59,970	2,375,863	2,605,114	408,000	7,000	401,000	523,946	76.53%
Greymouth JC	1	7	62	682,126	62,368	744,494	442,790	87,000	0	87,000	134,824	64.53%
Hawke's Bay RI	13	113	1,139	19,979,870	2,007,185	21,987,055	13,422,247	3,133,000	226,819	2,906,181	4,057,885	71.62%
Kumara RC	1	9	79	964,974	227,029	1,192,003	875,214	122,000	0	122,000	203,737	59.88%
Kurow JC	1	8	76	825,670	122,702	948,372	445,981	99,500	0	99,500	148,961	66.80%
Levin RC	3	23	216	3,250,132	172,324	3,422,455	2,974,053	550,000	18,498	531,502	695,727	76.40%
Manawatu RC	9	74	742	11,548,888	848,168	12,397,056	9,025,147	2,332,685	134,629	2,198,056	2,946,983	74.59%
Marlborough RC	2	18	178	1,676,955	108,821	1,785,776	1,571,348	204,000	0	204,000	286,396	71.23%
Marton JC	4	32	303	5,307,795	284,173	5,591,968	4,150,186	782,500	12,400	770,100	964,208	79.87%
Masterton RC	1	7	62	783,894	42,985	826,880	416,581	82,000	0	82,000	128,170	63.98%
Matamata RC	14	119	1,309	15,997,395	747,973	16,745,367	13,541,469	1,699,500	30,203	1,669,297	2,304,025	72.45%
Oamaru JC	3	22	218	1,456,070	40,754	1,496,825	1,853,223	342,225	0	342,225	454,737	75.26%
Otago RC	13	113	1,279	13,368,540	594,065	13,962,604	12,802,827	2,067,750	36,825	2,030,925	2,654,289	76.51%
Otaki-Maori RC	9	66	664	7,077,558	346,871	7,424,429	6,153,776	1,017,000	31,500	985,500	1,392,664	70.76%
Pakuranga HC	1	9	77	980,204	35,422	1,015,626	797,482	239,225	10,550	228,675	302,433	75.61%
Poverty Bay TFC	1	8	91	1,009,628	128,191	1,137,819	551,237	106,000	0	106,000	148,400	71.43%
Rangitikei RC	2	16	173	2,478,314	165,852	2,644,166	1,791,925	395,000	5,375	389,625	491,421	79.29%
Reefton JC	1	8	68	463,249	82,531	545,780	459,922	105,000	0	105,000	154,593	67.92%
Riverton RC	4	34	341	3,415,921	295,714	3,711,635	2,497,779	590,500	250	590,250	739,668	79.80%
Rotorua, Racing	9	75	741	9,640,763	547,325	10,188,088	7,051,658	1,272,225	36,545	1,235,680	1,648,777	74.95%
Rotorua-BOP HC	1	8	73	813,155	36,126	849,281	897,458	91,000	0	91,000	141,000	64.54%

THOROUGHBRED CLUBS	MEETINGS	RACES	STARTS	TOTAL OFF-COURSE TURNOVER	TOTAL ON-COURSE TURNOVER	TOTAL NZ TURNOVER	EXPORT TURNOVER (\$NZD)	TOTAL STAKES PAID	CLUB NOMS & ACCEPTS & OTHER CHARGES/PAYMENTS	NET STAKES	TOTAL CLUB, MEETING & STAKES FUNDING	NET STAKES TO FUNDING RATIO
South Canterbury RC	7	66	731	6,402,676	178,232	6,580,908	4,354,041	759,000	5,000	754,000	1,033,066	72.99%
South Waikato RC	1	9	73	901,452	69,811	971,263	922,602	100,000	0	100,000	150,000	66.67%
Southland RC	5	45	430	4,075,791	307,279	4,383,070	4,098,601	774,500	4,500	770,000	996,459	77.27%
Stratford RC	1	8	72	1,192,521	122,662	1,315,183	858,612	95,725	0	95,725	148,821	64.32%
Tapanui RC	1	8	86	1,129,318	46,711	1,176,029	1,051,056	117,000	0	117,000	139,556	83.84%
Taranaki TRI	13	97	968	14,461,862	1,032,323	15,494,186	12,444,757	1,916,300	33,663	1,882,638	2,401,572	78.39%
Taumarunui RC	1	9	99	1,614,130	143,294	1,757,425	1,041,885	227,500	0	227,500	277,258	82.05%
Taupo, Racing	4	30	287	3,653,767	275,318	3,929,085	3,191,983	337,725	0	337,725	491,976	68.65%
Tauranga, Racing	13	103	1,017	15,706,802	1,353,684	17,060,486	11,783,097	2,107,500	28,350	2,079,150	2,781,107	74.76%
Te Aroha, Racing	9	83	913	9,733,818	498,982	10,232,800	7,533,980	1,271,500	25,090	1,246,410	1,685,601	73.94%
Thames, Racing	1	9	101	1,383,106	111,944	1,495,050	1,095,948	115,000	0	115,000	197,083	58.35%
Waikato RC	15	127	1,363	23,054,905	1,340,337	24,395,242	14,641,729	3,933,000	182,403	3,750,597	4,572,782	82.02%
Waikouaiti RC	1	6	46	705,075	84,137	789,213	335,736	67,000	0	67,000	119,007	56.30%
Waimate RC	1	7	60	558,872	28,080	586,952	294,601	90,375	0	90,375	130,339	69.34%
Waipa RC	5	31	336	3,437,789	109,442	3,547,230	3,740,608	329,000	0	329,000	566,530	58.07%
Waipukurau JC	4	31	301	3,430,537	176,834	3,607,371	3,484,283	327,000	0	327,000	488,476	66.94%
Wairarapa RC	3	23	227	2,654,853	475,661	3,130,514	2,040,335	282,000	7,750	274,250	475,357	57.69%
Wairio JC	1	10	103	852,251	25,642	877,893	470,502	132,000	0	132,000	164,260	80.36%
Wairoa RC	2	16	153	1,795,779	160,013	1,955,792	1,577,517	199,000	0	199,000	265,990	74.81%
Wanganui JC	11	91	930	11,514,948	578,919	12,093,867	10,515,786	1,430,500	30,500	1,400,000	1,914,890	73.11%
Waverley RC	4	32	343	3,873,632	145,136	4,018,768	3,214,521	472,350	0	472,350	614,512	76.87%
Wellington RC	11	94	968	19,733,259	1,897,329	21,630,588	12,432,703	4,378,925	593,105	3,785,820	5,154,128	73.45%
Westland RC	1	8	71	623,908	81,074	704,982	602,194	122,000	0	122,000	147,342	82.80%
Whakatane RC	2	13	142	1,322,527	116,239	1,438,766	908,766	140,000	0	140,000	229,145	61.10%
Whangarei RC	11	90	888	14,034,002	825,432	14,859,435	10,259,050	1,560,000	8,250	1,551,750	2,080,243	74.59%
Winton JC	1	8	69	664,363	18,632	682,994	874,870	100,000	0	100,000	139,119	71.88%
Woodville-Pahiatua RC	6	48	504	5,037,960	182,915	5,220,875	5,017,943	497,000	0	497,000	718,715	69.15%
Wyndham RC	1	10	98	858,460	27,237	885,698	552,635	121,000	0	121,000	160,877	75.21%
GRAND TOTAL	311	2,582	27,098	375,474,495	27,247,581	402,722,076	287,442,626	59,900,435	3,336,590	56,563,845	73,258,183	77.21%

Notes

- Total off-course and on-course turnovers do not include Pick 6 or Turbo Quaddies.
- Export Turnover (\$NZD) is turnover on NZ Thoroughbred Racing through the Australian TABs. Note that Australian Corporate Bookmaker turnover is not included in this amount.
- Club Noms, Accepts & other charges/payments to Owners is the net amount of all direct club nomination and acceptance charges for Group, Listed and Prestige Jumps races, minus credits paid to owners for the same races.
- Total Club, Meeting & Stakes Funding is all NZTR funding paid to clubs, including minimum stakes, Group and Listed, special interest, iconic, heritage, country cup and other race funding, meeting type, venue category, racing compliance, governance/audit, event tier funding, iconic marketing and jumping support, on-course payments and any other meeting funding. Charges to clubs for NZTR race meeting services and NZRB race meeting broadcast costs are not netted off. All efforts have been made to reconcile against the club settlement statements but there still may be some discrepancies between funding recorded and total funding received by clubs.
- Net Stakes to Funding Ratio is Stakes Paid minus Club Noms & Accepts & other charges/payments, then divided by Total Club, Meeting & Stakes Funding. Note that club funding and other numbers can be affected by meetings or races not run, abandoned or transferred.

Auditor's report





Independent Auditor's report

To the Members of New Zealand Thoroughbred Racing Incorporated

Opinion We have audited the financial statements of New Zealand Thoroughbred Racing ('NZTR') and its subsidiaries ('the group'), which comprise the consolidated statement of financial position as at 31 July 2019, and the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for opinion In our opinion, the accompanying consolidated financial statements, on pages 27 to 52, present fairly, in all material respects, the consolidated financial position of the group as at 31 July 2019, and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1

(Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the entity or any of its subsidiaries, except that partners and employees of our firm deal with the entity and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the entity and its subsidiaries.

Director's responsibilities for the consolidated financial statements The Directors are responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7>

This description forms part of our auditor's report.

Restriction on use This report is made solely to the Members, as a body, in accordance with Clause 20 of the constitution. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

Wellington, New Zealand
19 September 2019

This audit report relates to the consolidated financial statements of New Zealand Thoroughbred Racing Incorporated ('NZTR') and its subsidiaries (the 'group') for the year ended 31 July 2019 included on the entity's website. The Directors are responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 19 September 2019 to confirm the information included in the audited consolidated financial statements presented on this website.

Financial statements



CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 31 JULY 2019

	NOTES	ACTUAL 31 JULY 2019 \$	ACTUAL 31 JULY 2018 \$
Revenue			
Racing Industry Transition Agency (RITA)	3.1.4	81,624,033	80,158,410
Race day fees		3,162,297	2,978,358
TRM and publications	3.1.1	86,682	182,821
Stud Book	3.1.1	1,615,921	1,678,006
Licence fees	3.1.1	294,486	322,602
Registrations	3.1.1	568,299	590,943
Interest	3.1.2	134,902	210,763
Sundry revenue	3.1.3	785,627	734,105
Total revenue		88,272,247	86,856,008
Less expenses			
Club payments (subsidies and prizemoney)	4.1	73,984,363	73,679,492
Other club and industry support payments	4.2	4,865,235	4,675,639
Race programmes and other publications		121,745	256,742
Ownership, media and communications		775,551	446,426
Industry training and development	4.3	408,485	460,309
Property and central overheads	4.4	550,241	568,088
IT infrastructure and network costs	4.5	704,056	867,384
Special projects	4.6	1,100,206	927,400
Salaries and other staff costs		3,964,434	3,844,774
Other department costs	4.7	534,156	576,275
Sundry costs	4.8	555,016	677,152
Total expenses		87,563,488	86,979,681
Other income			
Share in The Races Limited Partnership	8.4.6	379,678	-
Total surplus (deficit) attributable to NZTR		1,088,437	(123,673)
Total comprehensive revenue and expense		1,088,437	(123,673)

The accompanying accounting policies and notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2019

	ACCUMULATED SURPLUS	INFRASTRUCTURE RESERVE	TOTAL ACCUMULATED RESERVES
	\$	\$	\$
Accumulated reserves as at 1 August 2017	5,055,585	152,865	5,208,450
NZTR (Deficit) for the year ended 31 July 2018	(123,673)	-	(123,673)
Transfer of infrastructure reserve to accumulated surplus	151,396	(151,396)	-
Accumulated reserves as at 31 July 2018	5,083,308	1,469	5,084,777
	ACCUMULATED SURPLUS	INFRASTRUCTURE RESERVE	TOTAL ACCUMULATED RESERVES
	\$	\$	\$
Accumulated reserves as at 1 August 2018	5,083,308	1,469	5,084,777
NZTR Surplus for the year ended 31 July 2019	1,088,437	-	1,088,437
Transfer of infrastructure reserve to accumulated surplus	1,469	(1,469)	-
Accumulated reserves as at 31 July 2019	6,173,214	-	6,173,214

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2019

	NOTES	ACTUAL 31 JULY 2019 \$	ACTUAL 31 JULY 2018 \$
Total accumulated reserves attributable to NZTR		6,173,214	5,084,777
Current assets			
Cash and cash equivalents	2.1	6,085,511	4,067,793
Apprentice Jockey restricted funds	8.4.1	732,118	1,377,408
General Trust restricted funds	8.4.2	1,212,196	1,225,404
Short term deposits	2.1	552,987	-
Trade and sundry debtors from exchange transactions	2.2	1,711,725	1,033,143
Trade and sundry debtors from non-exchange transactions	2.2	46,750	73,768
Prepayments		111,902	11,104
Short term loans and advances	2.3	-	591,054
Share in The Races Limited Partnership	8.4.6	379,678	-
Code distribution account	2.2	439,020	308,251
Total current assets		11,271,887	8,687,925
Less current liabilities			
Trade and sundry creditors from exchange transactions	2.4	4,256,692	3,065,464
Trade and sundry creditors from non-exchange transactions	2.4	43,989	177,627
Employee entitlements	2.4	215,932	199,566
Fees and subscriptions in advance		359,753	393,788
Funds payable to Apprentice Jockeys	8.4.1	1,332,170	1,377,370
Other provisions	2.4	15,150	15,150
Total current liabilities		6,223,686	5,228,965
Net current assets		5,048,201	3,458,960
Non-current assets			
Property, plant and equipment	6.0	195,673	277,610
Intangibles	7.0	123,770	262,124
Loans and advances	2.3	805,570	1,086,083
Total non-current assets		1,125,013	1,625,817
Net assets		6,173,214	5,084,777

The accompanying accounting policies and notes form part of these financial statements.

The Financial Statements of New Zealand Thoroughbred Racing Incorporated have been accepted on behalf of the Board of Directors on 19 September 2019.



Dr Alan Jackson
Chair of New Zealand Thoroughbred Racing



Jason Fleming
Audit and Risk Chair

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2019

	31 JULY 2019	31 JULY 2018
	\$	\$
Cash flow from operating activities		
Cash was provided from:		
Fees, services and subscriptions from exchange transactions	2,635,895	3,665,462
Receipts from the code distribution and other revenue	84,655,561	83,056,712
Interest income	154,914	217,678
	87,446,370	86,939,852
Cash was applied to:		
Payment to suppliers and employees	(8,544,575)	(7,989,843)
Payments to clubs	(77,792,008)	(78,451,574)
	(86,336,583)	(86,441,417)
Net cash flow from operating activities	1,109,787	498,435
Cash flow from investing activities		
Cash was provided from:		
Maturity in term deposits	1,044,000	8,368,377
Repayment of loans and advances	871,567	219,399
	1,915,567	8,587,776
Cash was applied to:		
Purchase of property, plant and equipment	(50,380)	(66,315)
Purchase of intangibles	(18,767)	(121,879)
Work in progress	-	65,552
Investment in term deposits	(1,596,987)	(8,109,357)
Advance of loans		(208,487)
	(1,666,134)	(8,440,486)
Net cash flow from investing activities	249,433	147,291
Net increase in cash held	1,359,220	645,726
Add operating cash	4,726,291	3,581,373
Add restricted funds	1,944,314	2,443,506
Total cash and cash equivalents	8,029,825	6,670,605

The accompanying accounting policies and notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2019

	31 JULY 2019	31 JULY 2018
	\$	\$
Total surplus/ (deficit) for the year	1,088,437	(123,673)
Add non-cash items		
Depreciation	132,316	155,156
Amortisation	157,121	238,626
	289,437	393,782
Less Share in The Races Limited Partnership	(379,678)	-
Less movement in other working capital items		
Accrued revenue	29,523	6,915
Sundry debtors	(811,856)	124,391
Prepayments	(100,798)	242,772
Sundry creditors	1,028,756	(98,288)
Fees in advance	(34,034)	(47,464)
	111,591	228,326
Net cash flow from operating activities	1,109,787	498,435

The accompanying accounting policies and notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019

The notes to the financial statements include information which is required to understand the treatment, recognition and measurement of the transactions which compile the financial statements, and information that is material and relevant to the operations of NZTR.

The notes to the financial statements are organised into the following sections:

Note 1 Basis of Preparation**Note 2 Financial Instruments**

- 2.1 Cash and cash equivalents
- 2.2 Trade and sundry debtors, and revenue receivable
- 2.3 Club loans and advances
- 2.4 Other financial liabilities
- 2.5 Financial instrument risk
- 2.6 Financial guarantee contracts

Note 3 Revenue

- 3.1 Revenue from exchange transactions
 - 3.1.1 Registrations, stud book, licensing, race programmes and other publications
 - 3.1.2 Interest
 - 3.1.3 Sundry revenue
 - 3.1.4 RITA code distribution and other revenue
 - 3.1.5 Fees and subscriptions in advance

Note 4 Expenditure

- 4.1 Club payments (subsidies and prizemoney)
- 4.2 Other club and industry support payments
- 4.3 Industry training and development
- 4.4 Property and central overheads
- 4.5 Information technology, infrastructure and network costs
- 4.6 Special projects
- 4.7 Other department costs
- 4.8 Sundry costs

Note 5 Operating leases

Note 6 Property, plant and equipment

Note 7 Intangible assets

Note 8 Related parties

Note 9 Insurance and indemnities

Note 10 Employee remuneration and entitlements

Note 11 Contingent liabilities

Note 12 Capital commitments

Note 13 Subsequent events

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

1. BASIS OF PREPARATION

Reporting entity and statutory base

New Zealand Thoroughbred Racing Incorporated ("NZTR") is an Incorporated Society registered and domiciled in New Zealand. It is a racing code as defined in the Racing Act 2003. Its principal activity is to govern Thoroughbred racing in New Zealand.

The primary objectives of NZTR are to:

- supply Thoroughbred races for entertainment and wagering;
- determine the Thoroughbred code's business plan, including performance targets and distribution of funds to maximise and sustain financial benefits to the Thoroughbred industry; and
- define, regulate and amend the policies and the Rules of Racing of the Thoroughbred code.

Any equity has been provided with a view to supporting these primary objectives rather than making a financial return. Accordingly, NZTR has designated itself as a public benefit entity for financial reporting purposes.

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Tier 1 Public Benefit Entity Standards (PBE IPSAS), which are the New Zealand equivalents of the International Public Sector Accounting Standards (IPSAS) and other financial reporting standards as applicable for Tier 1 not-for-profit entities.

Basis of preparation

These financial statements have been prepared on the basis of historical cost. Cost is based on the fair value of the consideration given in exchange for assets.

The Board and Chief Executive consider NZTR is a going concern, that will continue to operate in the foreseeable future.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability.

These financial statements are the consolidated financial statements of NZTR. Consolidation includes the combined results of operations, assets and liabilities of both the General Trust Fund (GTF) and the Apprentice Jockey Fund (AJF). NZTR's share of The Races Limited Partnership are consolidated using the equity method.

NZTR and such entities are together referred to in these financial statements as NZTR or the Group.

These financial statements are prepared in New Zealand dollars, which is the functional currency of NZTR and all values are rounded to the nearest dollar.

Changes in accounting policies

The infrastructure projects reserve was set up in 2010/2011 to fund critical projects at strategic and significant venues. Clubs, communities, RITA and frequently the Racing Safety Development Fund (RSDF), co-invested in supported initiatives to share the costs of infrastructure projects. This fund was illustrated on the face of the statement of financial performance. In 2018/19 the fund was fully used. Revenue contributions for infrastructure projects are illustrated within the income categories of either RITA or sundry revenue. These transactions are further disclosed in notes 3.1.3 and 3.1.4. Expenditure is reported within the category of special projects and further disclosed in note 4.3.

There were no changes in accounting policies.

New standards and interpretations issued and not yet effective

The following new standards and or amendments issued by the External Reporting Board are not yet effective and have not been early adopted by NZTR. NZTR has not yet assessed the impact of adopting these standards.

Standard		Date Effective
PBE IFRS 9	This new standard replaces most of the requirements of PBE IPSAS 29 and introduces a new classification model for financial assets.	01 January 2020
PBE IFRS 34	This new standard when applied with PBE IPSAS 35, supersedes PBE IPSAS 6. Requirements of the standard are substantially the same as the previous requirements for separate financial statements.	01 January 2020
PBE IFRS 35	The objective of this standard is to have a single basis for consolidation for all entities, regardless of the nature of the entity and that basis is control. The standard also presents a new concept of an investment entity, entities classed under this concept account for their interests at fair value.	01 January 2019
PBE IPSAS 36,37,38	These standards define accounting for associates, joint ventures and joint arrangements. IPSAS 38 defines disclosure requirements for entities that have an interest in controlled entities.	01 January 2019
PBE IPSAS 41	This Financial Instruments standard establishes requirements for the recognition and measurement of financial instruments by Tier 1 and Tier 2 public benefit entities. When applied, PBE IPSAS 41 supersedes most of PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IPSAS 41 also supersedes PBE IFRS 9 Financial Instruments.	01 January 2022
PBE FRS 48	This new performance reporting standard introduces requirements relating to service performance information.	01 January 2022

Critical accounting estimates and assumptions

In preparing these financial statements NZTR has made estimates and assumptions concerning the future. These estimates and assumptions may differ from actual results. The significant estimates and assumptions are as follows:

- Property, plant and equipment: NZTR establishes the useful life of property, plant and equipment at acquisition. It reviews the life and utility of this property, plant and equipment annually. In the event the life differs from those assigned or if the utility of the assets is less than assumed, the cost in the form of depreciation may be wrongly allocated to any one year.
- Provisions: A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation and it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation.
- Loans and advances: The carrying values of the loans and advances assume that no debtor will default on any instalment due and that the guarantee over the loan is equal to or higher than the value of the loan. At balance date the carrying value of the loans was face value plus any capitalised interest.

Taxation

NZTR is exempt from income tax pursuant to section CW 47 of the Income Tax Act 2007.

The following taxes, duties, levies and similar charges are paid by NZTR:

- Goods and Services Tax (GST)
- Fringe Benefit Tax (FBT)
- Employment taxes (PAYE/WT)
- Employer compulsory Kiwisaver contributions
- Accident Compensation Commission (ACC) levies.

These financial statements have been prepared exclusive of GST.

Specific definitions

Throughout this report specific language is used to refer to industry activity. Some definitions specific to the racing industry are detailed below.

Codes: Codes refers to the racing industry bodies, namely Harness Racing New Zealand Incorporated, New Zealand Greyhound Racing Association Incorporated and New Zealand Thoroughbred Racing Incorporated.

Code funding distribution agreement: The code funding distribution agreement refers to the relevant inter-code agreement between the Racing Industry Transition Agency (RITA) and the Codes. It represents the agreed methodology by which the RITA will make distributions to NZTR and the other codes as per section 16 and 25 of the Racing Act 2003.

Club funding policy: The club funding policy represents the agreed methodology by which NZTR will distribute funds to Thoroughbred Clubs for prizemoney and other racing activities.

New Zealand Racing Board (NZRB): The New Zealand Racing Board was a statutory body established by the Racing Act 2003 whose primary purpose was to promote and enhance the racing industry, run a profitable betting business and generate long term profit for the benefit of the racing industry (the codes). The NZRB was renamed and continues to operate as the Racing Industry Transition Agency (RITA) by the Racing Reform Act 2019.

Racing Industry Transition Agency (RITA): The Racing Industry Transition Agency was appointed by Racing Minister Rt. Hon. Winston Peters on 1 July 2019 to enable the urgent changes required to drive the racing industry toward a financially sustainable future. Through the Racing Reform Act 2019, RITA has a legislative mandate to manage the changes needed to revitalise the racing industry and carry out the day to day functions of the TAB and Trackside.

2. FINANCIAL INSTRUMENTS

NZTR's financial instruments are principally debtors, cash and cash equivalents, short-term bank investments, loan and advances, and creditors.

Financial instrument categories

NZTR classifies its financial assets as loans and receivables. Financial liabilities are classified as other financial liabilities and measured at amortised cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. NZTR's loans and receivables balance includes cash and cash equivalents, including short-term deposits, trade and other receivables and loans and advances to racing clubs. Loans and receivables are initially recognised at the fair value and subsequently measured at amortised cost using the effective interest method.

At the end of each reporting period, and whenever circumstances warrant, loans and receivables are assessed for objective evidence of impairment. Impairment is considered incurred as a result of one or more events which had an impact on the estimated future cash flows of that asset and can be estimated reliably. Any financial asset impairment loss is recognised through the statement of comprehensive revenue and expense.

2.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash at bank, and call deposits with an original maturity date of less than three months.

NZTR places surplus funds on term deposit with the following objectives;

- to ensure credit risk is minimised as far as possible
- to ensure liquid funds are available when necessary
- to maximise interest revenue.

All NZTR operational bank accounts and short-term deposits are held with ANZ Banking Corporation Limited, which has an AA- credit rating.

All cash or call deposit balances held by NZTR are available for use. The carrying values of cash and cash equivalents approximate their fair values.

The maximum credit exposure over cash and cash equivalents is limited to the carrying value of the cash and call deposits.

	31 JULY 2019	31 JULY 2018
	\$	\$
Operational bank account and cash on hand	64,413	96,441
GST Refund account	940,766	-
On call accounts	5,080,332	3,971,352
Total cash and cash equivalents	6,085,511	4,067,793
Investments - term deposits	552,987	-

The net cash asset as at 31 July 2019 was \$3,543,305 (2018: \$2,025,148); and represents the total funds available for use at the direction of NZTR. It is calculated as total cash held by NZTR, less amounts payable at year end, offset by revenue earned but not yet collected.

Other cash balances held as at balance date included funds held in trust for the Apprentice Jockey Fund and the General Trust Fund. These funds are not available for NZTR operational expenditure. They are held for the explicit purposes expressed in the Rules of Racing.

	31 JULY 2019	31 JULY 2018
	\$	\$
Total cash held for Apprentice Jockey Fund	732,118	1,377,408
Total cash held for General Trust Fund	1,212,196	1,225,404

2.2 TRADE AND SUNDRY DEBTORS, AND REVENUE RECEIVABLE

Trade and sundry debtors and revenue receivable are initially recognised at the fair value of the amounts to be received. They are subsequently measured at amortised cost, using the effective interest method, less any provision for impairment loss due to doubtful debts.

	31 JULY 2019 \$	31 JULY 2018 \$
Trade and sundry debtors		
Trade debtors from exchange transactions	1,702,126	1,013,255
Interest receivable	9,599	19,888
	1,711,725	1,033,143
Trade debtors from non-exchange transactions		
Trade debtors from non-exchange transactions	38,908	57,929
General Trust Fund receivables	7,842	15,839
	46,750	73,768
Code distribution account (RITA)		
Code distribution account (RITA)	439,020	308,251
	439,020	308,251
Total trade and sundry debtors, and other revenue receivable	2,197,495	1,415,162
Due date profile		
Not past due	1,811,638	1,086,286
Past due 1 - 30 days	127,211	169,178
Past due 31 - 60 days	119,688	40,325
Past due 61	138,958	119,373
Total trade and sundry debtors, and other revenue receivable	2,197,495	1,415,162

NZTR has reviewed all trade and sundry debtors, and other revenue receivable for collectability. There is a provision for doubtful debts recognised on trade or other receivables as at 31 July 2019 of \$37,764 (2018: \$51,228). The provision recognises debts due that have either been placed with a debt collection agency or where the debtor has been placed on the Arrears List.

Cash and cash equivalents	6,085,511
Trade and sundry debtors from exchange transactions	1,711,725
Trade and sundry debtors from non-exchange transactions	46,750
Trade and sundry creditors from exchange transactions	4,256,692
Trade and sundry creditors from non-exchange transactions	43,989
Total net cash asset	3,543,305

2.3 CLUB LOANS AND ADVANCES

NZTR has advanced loans primarily to assist clubs with infrastructure projects. Loans and advances are recognised when the club becomes party to the contractual provisions of the financial instrument. Loans and advances are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and advances are measured at amortised cost using the effective interest method.

NZTR holds bank guarantees or security over the assets of each club provided with a loan or advance. The value of assets for which the security rests is in excess of the loan amounts outstanding.

The NZTR Board has determined that the carrying value of the loans approximates their fair value as at 31 July 2019.

	INTEREST RATE	31 JULY 2019 \$	31 JULY 2018 \$
Short term loans and advances			
Hawke's Bay Racing Inc.	OCR + 1%	-	434,391
Whangarei Racing Club Inc.	OCR + 1%	-	156,663
Total short term loans and advances		-	591,054
Non-current loans and advances			
RACE Inc.	OCR + 1%	703,508	933,508
Northern Race Day Services Inc.	OCR + 1%	64,916	97,366
Central District Starting Gates Inc.	OCR + 1%	37,146	55,209
Total non-current loans and advances		805,570	1,086,083
Total loans		805,570	1,677,137

Loans are due to be settled on the following settlement dates:

Northern Race Day Services Inc.	05 March 2021
Central Districts Starting Gates Inc.	30 June 2021
RACE Inc.	01 May 2022

2.4 OTHER FINANCIAL LIABILITIES

NZTR classifies all of its financial liabilities as other financial liabilities. Trade and sundry payables are recognised when NZTR becomes obliged to make future payments. Trade and sundry payables are measured at amortised cost using the effective interest method.

Employee entitlement liabilities for annual leave and other contractual payments expected to be settled within 12 months of the reporting date are recognised for employee services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

	31 JULY 2019 \$	31 JULY 2018 \$
Trade and sundry payables		
Trade creditors from exchange transactions	4,256,692	3,065,464
Taxes and transfers payable	43,989	177,627
	4,300,681	3,243,091
Other provisions		
International Apprentice Jockey fee refunds	15,150	15,150
Employee entitlements		
Provision for annual leave	187,824	163,002
Salaries payable	28,108	36,564
Total employee entitlements	215,932	199,566
Total other financial liabilities	4,516,613	3,457,807

No interest is incurred on trade creditors unless the amounts payable fall overdue. Interest is charged at the discretion of the creditor. NZTR has financial risk management policies in place to ensure all payables are paid within the credit time frame.

2.5 FINANCIAL INSTRUMENT RISKS

NZTR's activities expose it to a variety of financial instrument risks, including interest rate risk, credit risk and liquidity risk. NZTR seeks to minimise exposure from financial instruments by not allowing any transactions that are speculative in nature.

2.5.1 CAPITAL RISK MANAGEMENT

NZTR's capital is its accumulated funds represented by net assets. NZTR manages its equity as a by-product of prudent financial dealings, to ensure that NZTR effectively achieves its objectives and purpose while remaining a going concern.

2.5.2 INTEREST RATE MANAGEMENT

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. NZTR's exposure to interest rate risk is limited to bank deposits that are held at fixed rates of interest. NZTR does not actively manage its exposure to interest rate risk.

2.5.3 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that NZTR will encounter difficulties in meeting its payment obligations associated with financial liabilities as they fall due. NZTR's revenue is primarily received from the NZRB. The draw on this distribution is managed by monitoring forecast racing events and actual cash flow requirements. Adequate cash reserves of liquid short-term deposits are maintained to satisfy anticipated capital expenditure and committed infrastructure projects.

All trade and sundry payables are due within three months.

2.5.4 CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to NZTR. NZTR invests surplus funds with registered AA- rated banks.

In the normal course of business NZTR is exposed to credit risk from cash and term deposits with banks, receivables, and financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

There is an inherent credit risk for loans and advances made to Thoroughbred racing clubs. NZTR holds sufficient mortgage or guarantee security over all loans and advances, which are reviewed on a regular basis.

2.6 FINANCIAL GUARANTEE CONTRACTS

2.6.1 RACE

On 5 January 2009 the Racing Industry Transition Agency formerly known as the New Zealand Racing Board (NZRB) provided a loan of \$3,000,000 to Racing at Awapuni, Otaki and Trentham Combined Enterprise Incorporated (RACE Inc.) and provided a guarantee to the Bank of New Zealand as additional security for its lending to RACE Inc. to the value of \$8,820,000. In 2014 the NZRB re-advanced a loan of \$3,000,000 to RACE Inc.

RITA loans are secured by mortgages over RACE property.

NZTR has provided a back-to-back guarantee to RITA to cover the amounts guaranteed to the Bank of New Zealand and amounts advanced to RACE Inc. by RITA.

As NZTR believes that the value of the security provided by RACE is greater than the loan amounts outstanding, no value has been ascribed to this guarantee.

At 31 July 2019 the balances of the loans from the Bank of New Zealand and the RITA were \$NIL and \$4,360,420 respectively (2018: \$4,560,420 and \$2,756,369).

2.6.2 NEW ZEALAND BLOODSTOCK INSURANCE PEARL SERIES (THE "SCHEME")

During the financial year ending 31 July 2017 NZTR entered into a financial guarantee arrangement with New Zealand Thoroughbred Breeders Association (NZTBA), effective from 1 August 2017 and subsequently renewed each racing season up to 31 July. The guarantee provides assurance that funds will be available for the payment of bonuses won through the offering of the Scheme and can only be called upon when the Scheme has insufficient funds to do so itself.

The NZB Insurance Pearl Series is a bonus scheme for NZ-bred fillies and mares, offering bonuses of up to \$2.6 million and prizemoney of up to \$2.8 million. The Scheme includes 215 individual races for fillies and mares over three seasons' racing, with bonuses for each race of up to \$20,000. The Scheme has been designed to benefit owners, trainers and breeders of fillies and mares running in New Zealand and is available in all regions of the country. All bonuses are cumulative, which means a horse can win multiple bonuses throughout her racing career.

A receivable due from NZTBA of \$146,358 has been recognised (2018: \$96,049).

3. REVENUE

NZTR is primarily funded through distributions from RITA, registration and licensing fees.

Under the current suite of accounting standards, IPSAS 9 and IPSAS 23, revenue is required to be classified as either revenue from exchange transactions or revenue from non-exchange transactions in the statement of comprehensive revenue and expenses. All major classes of revenue are separately disclosed in the statement of comprehensive revenue and expenses and are further detailed in the notes below.

Revenue is measured at fair value of consideration received.

3.1 REVENUE FROM EXCHANGE TRANSACTIONS

NZTR's sales of goods or services are classified as exchange transactions. The specific accounting policies applicable to NZTR's exchange transactions are as follows:

3.1.1 REGISTRATIONS, STUD BOOK, LICENSING, NOMINATIONS, ACCEPTANCE AND SCRATCHING FEES, RACING PROGRAMMES AND OTHER PUBLICATIONS

Revenue is recognised once the service has been provided which is either at the time of invoicing or when a payment is made for goods/services. One-off receipts are recorded under sundry revenue in the statement of comprehensive revenue and expenses. Registrations, stud book, nominations, acceptances, scratchings, licensing fees, racing programme subscriptions and other publications are disclosed separately.

3.1.2 INTEREST

Interest revenue is recognised on a time-proportionate basis that takes into account the effective yield on the financial asset.

3.1.3 SUNDRY REVENUE

Sundry revenue is recognised once the service has been provided or liability of the goods has passed. Sundry revenue is made up of the following receipts.

	31 JULY 2019 \$	31 JULY 2018 \$
FastTrack Insurance - sponsorship	50,000	70,000
Sundry revenue (Cost recovered for GST case + Cambridge Box)	32,845	21,649
IT - Database sales	31,573	46,240
PITO Apprentices revenue	253,026	353,223
International student revenue	39,246	39,877
AJF consolidation	-	-
GTF consolidation	56,795	32,889
Fines	73,659	73,768
Use of Money Interest	107,806	-
Bad debt recovery	35,022	-
Total sundry revenue	679,972	637,646
Infrastructure projects funding recoded	105,655	96,459
Total sundry revenue	785,627	734,105
Sundry revenue from exchange transactions	711,968	660,337
Revenue from non-exchange transactions	73,659	73,768
	785,627	734,105

3.1.4 RITA CODE DISTRIBUTION AND OTHER REVENUE

Revenue is recognised pursuant to Section 16 and 25 of the Racing Act 2003 based upon the base level of code funding received from RITA, plus additional distributions in accordance with the code funding distribution agreement. This revenue is recognised as an exchange transaction, as NZTR supplies its racing product to RITA in exchange for a distribution from RITA surpluses, accumulated from RITA's wagering, sports betting and gaming activities, as follows:

	31 JULY 2019 \$	31 JULY 2018 \$
Locked-in base funding	63,661,283	63,661,283
Export funding (Actual)	8,302,024	9,090,737
Stakes advance funding	6,500,000	6,500,000
Interest on distribution account	6,543	10,235
Other funding (FOB & Sport Commission)	138,567	123,965
Surplus funding	1,534,693	347,984
Total RITA Code Distribution	80,143,110	79,734,204
RITA Enhancement Funds		
Stakes Enhancement Fund	515,000	-
Infrastructure Fund	842,724	325,771
Youth Enhancement Fund	111,774	42,669
Animal Welfare Fund	11,425	55,766
Total RITA Enhancement Funds	1,480,923	424,206
Total Funding Recognised from RITA	81,624,033	80,158,410

NZTR reached a funding agreement with RITA which included funding export up to a total amount of \$9,328,717. The amount of total domestic export turnover recognised by NZTR as illustrated above is the actual export earnings recorded during the financial year (\$8,302,024). The difference is recognised as RITA surplus funding (\$1,026,693).

Surplus funding	31 JULY 2019 \$	31 JULY 2018 \$
RITA surplus	110,000	110,000
Export variance	1,026,693	237,984
Broadcast and venue services	398,000	-
	1,534,693	347,984

Comparative figures for the year ended 31 July 2018 for total funding from RITA include contributions made towards animal welfare, youth, industry infrastructure projects and stakes.

Pursuant to Section 25 of the Racing Act 2003, each racing code is responsible for the distribution of funding to the clubs in line with its funding policy. Expenditure is recognised when payments are made to clubs (funding) and stakeholders (prizemoney). At balance date payments that have not been made are accrued for.

Enhancement Funds

The Fund was unveiled in January 2017, with \$4.77 million allocated over three years and centred on infrastructure, youth development and stakes. NZTR is grateful for the contributions made through the RITA Enhancement Funds.

Stakes Enhancement Funds:

The following stakes and/or racing activity were maintained due to the contribution made from the Stakes Enhancement Fund:

	31 JULY 2019	31 JULY 2018
	\$	\$
Heritage races	165,000	-
Special Interest races	169,000	-
Other races (e.g. Dunstan Stayers, Thames & Wairarapa Cups, Autumn Sprint)	181,000	-
	515,000	-

Infrastructure Funds were applied to the following programmes:

	31 JULY 2019	31 JULY 2018
	\$	\$
FY17/18 Funding	-	424,206
Cambridge synthetic track	407,741	-
Regional track upgrade programme	111,072	-
Trentham running rails (FY18 costs)	79,241	-
Central Districts Starting Gates Inc.	108,471	-
Track moisture meters	85,208	-
Underground services (mapping of plumbing and electrical)	50,991	-
Total RITA contribution to Infrastructure projects	842,724	424,206

Industry Training and Education:

During the year a total of \$111,774 was received from the Youth Enhancement Fund as a contribution towards encouraging youth to safely participate in our sport. Programmes included Ride to Time, fall training, and a digital enhancement project (2018: \$42,669).

RITA supports "ICC" costs towards NZTR and Harness Racing New Zealand (HRNZ) training and education participants who train through the Primary Industry Training Organisation (PITO) on topics such as race day riding, the stable hand profession and breeding.

The total support for 31 July 2019 was \$86,400 (2018: \$91,200).

Animal Welfare:

NZTR is grateful for financial support provided through RITA's Animal Welfare Fund to specific NZTR Thoroughbred welfare initiatives (2019: \$11,425 and 2018: \$55,766)

3.1.5 FEES AND SUBSCRIPTIONS IN ADVANCE

Fees and subscriptions in advance are funds that are received for services or goods that have not yet been delivered. If revenue is received before the services or goods are rendered, then it is recorded as a liability and recognised as revenue over the period for which the services or goods are delivered.

4. EXPENDITURE

NZTR reports its comprehensive revenue and expenses and financial position by function. The following tables outline the expense by nature within each function. Direct costs are charged to the function and indirect costs are allocated to functions based on cost drivers related to the activity or usage information. Depreciation is charged on the basis of asset utilisation. Employment costs are charged on the basis of actual time incurred.

There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

4.1 CLUB PAYMENTS (SUBSIDIES AND PRIZEMONEY)	31 JULY 2019	31 JULY 2018
	\$	\$
The expenses included in club payments		
Prizemoney	56,558,523	56,153,326
Funding model	17,425,840	17,526,166
Total club payments (subsidies and prizemoney)	73,984,363	73,679,492

The prizemoney variance between seasons is representative of an additional 14 races run plus the recognised value of NZTR's payment for the New Zealand Breeders Pearl Series Bonus Scheme.

There were less abandoned meetings during the season ended 31 July 2019, which is reflective of a reduction in funding model payments between years.

4.2 OTHER CLUB AND INDUSTRY SUPPORT PAYMENTS	31 JULY 2019	31 JULY 2018
	\$	\$
The expenses included in other club payments		
St John Ambulance	319,085	337,409
Track & surface maintenance programme	249,389	186,965
Industry grants	260,509	235,444
Medical advisor	20,590	22,291
Animal welfare	42,172	89,245
Club liability insurance	111,069	125,757
Abandoned meeting costs	117,953	296,405
Rider concussion testing and helmets	69,893	91,935
RITA broadcast and venue services	3,633,312	3,241,652
Sectional timing	23,859	30,857
Other funding	17,404	17,679
Total other club and industry support payments	4,865,235	4,675,639

The major variance between seasons is the higher costs of RITA's charges for broadcast and venue services. The recognised value in the NZTR financial reports is the subsidised value of the total cost to the wider industry. Clubs have contributed a further \$3.45m (2018: \$3.53m).

4.3 INDUSTRY TRAINING AND DEVELOPMENT**31 JULY 2019**
\$**31 JULY 2018**
\$

The expenses included in industry training and development are:

Apprentice awards	6,732	5,580
Motor vehicles	31,405	23,505
NZEET administration	19,736	13,093
Promotion and marketing	3,885	13,658
Property	3,172	2,720
Stationary, print and consumables	10,166	8,539
Telecommunications	-	1,144
Travel, accommodation and meals	62,487	85,170
NZTR staff training and development	-	15,974
Total industry training and development payments	137,583	169,383

Add costs reallocated from salaries and other staff costs

Tutors, advisors and wellbeing providers	270,902	306,900
less staff training reallocated to property and central overheads		-15,974
	408,485	460,309

During the year NZTR provided training to 108 students enrolled in NZQA equine qualifications. These included apprentice jockeys, stablehand trainees and breeders programme trainees. (2018: 110).

There are four field staff employed by NZTR. Field staff salaries are recorded under salaries and other staff costs. The costs for tutors, advisors and wellbeing providers were previously reported under salaries and other staff costs, however these individuals were contracted providers during the year and not NZTR staff, hence the costs have been recoded to industry training and development.

4.4 PROPERTY AND CENTRAL OVERHEADS**31 JULY 2019**
\$**31 JULY 2018**
\$

The expenses included in property and central overheads are:

ACC levy	20,878	21,719
Bank fees	39,746	48,423
Insurance	63,234	61,129
Equipment leases	10,833	10,523
Printing and postage	56,397	65,629
Rent and property expenses	160,441	180,455
Depreciation	28,361	48,740
Telephone	48,554	52,546
General expenses	102,158	62,951
Total property and central overheads	530,602	552,114

Variance to prior year reporting

NZTR staff training and development recorded under industry training	19,639	15,974
Total property and central overheads	550,241	568,088

Comparative figures for the year ended 31 July 2018 have been updated to include NZTR staff training and development costs which were recorded under industry training and development in prior years. Industry training and development costs reported in note 4.3, reflect the total costs of operating the apprentice jockey training and development programme and the education programme for breeding. (Total costs exclude NZTR staff salaries which are recorded under salaries and other staff costs).

4.5 INFORMATION TECHNOLOGY, INFRASTRUCTURE AND NETWORK COSTS	31 JULY 2019	31 JULY 2018
	\$	\$
Information Technology infrastructure and network costs		
Amortisation	157,121	238,626
Depreciation	51,863	49,800
Maintenance and network development cost	495,072	578,958
Total information technology	704,056	867,384

NZTR's racing administration system requires an upgrade. This requirement has led to an exploration of an alternative racing administration system. During this time reduced activity in development has resulted in a variance between seasons.

4.6 SPECIAL PROJECTS	31 JULY 2019	31 JULY 2018
	\$	\$
The expenses included in special projects are:		
Racing administration system review	3,612	76,401
NZTR website reskin (Codeware and contracted resource)	158,699	240,864
NZTR strategic programme	-	3,427
Total of categories reported in prior year statements	162,311	320,692
Cambridge synthetic track (offset by Enhancement Funds)	414,480	-
Infrastructure projects (offset by Enhancement or other RITA Funds)	-	606,708
Starting gates	162,334	-
Club moisture meters and going sticks	133,506	-
Location of underground services	84,228	-
Track maintenance programme	143,347	-
Total special projects	1,100,206	927,400

Additional funding received from RITA and other sources to support the costs of most special project activities are reported under 3.1.3 sundry revenue and 3.1.4 RITA code distribution and other revenue.

In 2019 the balance of the NZTR Infrastructure fund was extinguished. All funding for projects during the financial year 31 July 2019 was received from RITA, clubs, Racing Safety Development Fund or through NZTR's reserves. The transactions for infrastructure projects are now reported within the body of NZTR's statement of financial performance.

4.7 OTHER DEPARTMENT COSTS**31 JULY 2019**
\$**31 JULY 2018**
\$

The expenses included in other department costs are:

DNA typing and microchipping	227,905	190,162
Travel including motor vehicle expenses	120,290	134,703
Mobile telephones	5,773	8,526
Freephone number	4,356	7,056
Accommodation	32,371	46,596
Subscriptions	29,646	28,817
Conferences and committees	65,786	68,333
Stud Book	6,869	3,691
Depreciation	38,923	30,173
General expenses	2,237	58,218
Total other department costs	534,156	576,275

4.8 SUNDRY COSTS**31 JULY 2019**
\$**31 JULY 2018**
\$

The expenses included in sundry costs are:

Members council expenses	11,524	9,980
Board member expenses	66,966	97,365
Board fees	171,037	210,636
Diligent board books	14,305	12,318
Legal fees	72,360	137,280
Audit fees	34,000	39,825
Bad debts expense	21,890	90,152
Raceday depreciation	13,170	26,433
Annual general meeting and club conference	9,945	5,845
General expenses (including consolidation of GTF and AJF)	139,819	47,317
Total sundry costs	555,016	677,152

The variance in Board member fees is mainly attributable to a lower number of members during the 2018/19 season than in 2017/18 season. Reduced spend in legal services also represents a portion of the variance between seasons. The variance in general expenses is an effect of consolidation with the General Trust Fund whose grants paid in the 2018/19 season were greater than those of 2017/18.

Audit fees of \$34,000 have been recognised for the audit by Deloitte Limited of NZTR's annual financial statements (2018: \$39,825). The audit fees for 2018 recognise the cost of separate audits for the Apprentice Jockey Fund and the General Trust Fund annual financial statements. Deloitte have audited these funds as part of the Group audit of NZTR for the year ended 31 July 2019.

5. OPERATING LEASES

An operating lease is a lease that does not substantially transfer all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

NZTR has one office sub-lease with RITA:

- 106-110 Jackson Street, Petone, Wellington

Commencing 1 August 2015 with three years right of renewal and a final expiry date of 6 August 2023.

The following commitments are based on the current lease terms.

	31 JULY 2019 \$	31 JULY 2018 \$
Lease on premises		
Up to 1 year	113,050	113,050
1 to 5 years	341,318	452,200
5+ years	-	1,549
Total minimum lease payments	454,368	566,799

There are no leases held by either the Apprentice Jockey Fund or the General Trust Fund.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis so as to allocate the cost of each asset, over its expected useful life, to its estimated residual value. Depreciation is recognised within the applicable function in the statement of comprehensive revenue and expense. The estimated useful life, residual values and depreciation methods are reviewed at the end of each period.

- Buildings 20.00%
- Office equipment 20.00%
- Motor vehicles 33.33%
- Computer hardware 33.33%
- Racecourse equipment 10.00%

Any gain or loss on disposal, which is calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in the statement of comprehensive revenue and expense within the function holding the disposed asset.

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent, if any, of the impairment loss recognised in the statement of comprehensive revenue and expense.

7. INTANGIBLE ASSETS

NZTR develops specialised software for its own use in the business. The cost of internally generated software comprises all directly attributable costs necessary to create and prepare the asset to be capable of operating in the manner intended by management.

Computer software and website development is a finite life intangible asset and is recorded at cost, less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life of 3 or 5 years and is recognised within the statement of comprehensive revenue and expense.

Any gains or losses on disposal, which is calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in the statement of comprehensive revenue and expense within IT infrastructure and network costs.

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication of impairment exists, then the asset's recoverable amount is estimated to determine the extent of recognition in the statement of comprehensive revenue and expense.

PROPERTY, PLANT AND EQUIPMENT

AS AT 31 JULY 2019

	BUILDINGS	OFFICE EQUIPMENT	MOTOR VEHICLES	COMPUTER HARDWARE	RACECOURSE EQUIPMENT	WORK IN PROGRESS	INTANGIBLES	31 JULY 2019 TOTAL
Cost								
Balance at 1 August 2018	45,000	607,467	173,277	924,443	197,430	-	4,482,648	6,430,265
Additions		16,109	36,884	31,349	-		18,767	103,109
Adjustments (WIP)								-
Disposals		(35,611)	(19,130)	(766,964)	-		(27,902)	(849,607)
Balance at 31 July 2019	45,000	587,965	191,031	188,828	197,430	-	4,473,513	5,683,767
Accumulated depreciation								
Balance at 1 August 2018	36,000	484,443	117,670	852,319	179,575	-	4,220,524	5,890,531
Depreciation expense for the year	9,000	19,361	38,923	51,863	13,170		157,121	289,438
Asset reclassification								-
Disposals		(1,648)	(19,130)	(766,966)			(27,901)	(815,645)
Balance at 31 July 2019	45,000	502,156	137,463	137,216	192,745	-	4,349,744	5,364,324
Net book value								
Balance at 31 July 2019	-	85,809	53,568	51,612	4,685	-	123,769	319,443

PROPERTY, PLANT AND EQUIPMENT
AS AT 31 JULY 2018

	BUILDINGS	OFFICE EQUIPMENT	MOTOR VEHICLES	COMPUTER HARDWARE	RACECOURSE EQUIPMENT	WORK IN PROGRESS	INTANGIBLES	31 JULY 2018 TOTAL
Cost								
Balance at 1 August 2017	45,000	610,954	173,277	903,410	197,430	65,552	4,360,768	6,356,391
Additions	-	47,422	-	21,033	-	-	128,056	196,511
Adjustments (WIP)	-	-	-	-	-	(65,552)	-	(65,552)
Disposals	-	(50,909)	-	-	-	-	(6,176)	(57,085)
Balance at 31 July 2018	45,000	607,467	173,277	924,443	197,430	-	4,482,648	6,430,265
Accumulated depreciation								
Balance at 1 August 2017	27,000	493,463	87,496	802,509	153,142	-	3,981,898	5,545,508
Depreciation expense for the year	9,000	39,740	30,174	49,810	26,433	-	238,626	393,783
Asset reclassification	-	-	-	-	-	-	-	-
Disposals	-	(48,760)	-	-	-	-	-	(48,760)
Balance at 31 July 2018	36,000	484,443	117,670	852,319	179,575	-	4,220,524	5,890,531
Net book value								
Balance at 31 July 2018	9,000	123,024	55,607	72,124	17,855	-	262,124	539,734

8. RELATED PARTY TRANSACTIONS

As part of its normal operations, NZTR transacts with Thoroughbred racing clubs and Thoroughbred kindred bodies across New Zealand. These transactions include receipt of levies, prizemoney, and other fees and the administration of the NZTR code distribution from RITA.

8.1 BOARD

All members of NZTR's Board (or their immediate families) may have interests in Thoroughbred racing in New Zealand through ownership, breeding or training. All members of the Board may race horses and be eligible for prizemoney from Thoroughbred racing clubs.

In accordance with NZTR's Constitution a person is not eligible for appointment to the NZTR's Board if they are a licensee as per the NZTR Rules of Racing, or a member of the Members' Council, or a trustee of a gaming trust, or a member of a committee or an employee of a club, racing association or any of the racing codes.

In the financial year, no services were purchased by NZTR from businesses owned or operated by NZTR Board members.

8.2 BOARD MEMBERS AND KEY MANAGEMENT PERSONNEL

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of NZTR. In addition to the members of the NZTR Board, the following employed positions are considered key management personnel and form the executive team:

- Chief Executive
- Company Secretary and General Counsel
- General Manager, Finance and Business Services
- General Manager, Digital and Customer
- General Manager, Racing and Thoroughbred welfare

The salaries and other short-term employee entitlements include the salaries received and accrued for all employees of the executive team.

As at 31 July 2019, the NZTR Board comprised five members (2018: 6 members).

The remuneration of Board members and other key management personnel during the financial year were as follows:

	31 JULY 2019	31 JULY 2018
	\$	\$
Board members' fees	168,537	210,636
Salaries and other short-term employee benefits	983,726	1,268,044
Total Board members and key management personnel	1,152,263	1,478,680

8.3 RACING INTEGRITY UNIT

NZTR owns 25% of the Racing Integrity Unit (RIU) and, therefore has the ability to appoint a director to its Board. The RIU has been set up where each code will fund their share of the RIU's operating expenses on a cost recovery basis. This means the RIU has been set up as an independent vehicle that is funded via the codes with no intention to generate any profit. Therefore, in line with PBE IPSAS 7: Investment in Associates, all initial start-up funding provided by NZTR to RIU was expensed and all ongoing costs are funded from the code distribution from RITA. This is on a basis that any equity accounting would not be material as there is no investment value to capitalise, nor any share of any profits.

8.4 OTHER RELATED PARTIES

NZTR entered into transactions during the period with the following related parties:

8.4.1 APPRENTICE JOCKEYS' FUND

The Apprentice Jockeys' Fund (AJF) was established under Rule 1310 of the Rules of Racing and is controlled by two trustees, the NZTR Chairman and Chief Executive. The purpose of the fund is to "hold in trust income earned from an apprentice jockey until such time as they finish their apprenticeship. The aim is for an apprentice to finish their apprenticeship with financial backing to ensure they are suitably funded when they become a self-employed jockey". Payments to apprentice jockeys are made during the term of their apprenticeship for living costs and additional riding costs not covered by their employer.

Revenue and expenditure recognised through the statement of comprehensive revenue and expenditure consists of interest received, bank fees, audit services and interest expense.

8.4.2 GENERAL TRUST FUND

The General Trust Fund (GTF) was established under Rule 1301 of the Rules of Racing to financially support licensees when they become injured as a result of an accident while carrying out duties in their capacity as a licensee or, in some instances, where serious illness prevents their ability to carry out duties in their capacity as a licensee. NZTR provides funding to support the GTF, including a pass through of all fines paid to NZTR.

Revenue and expenditure recognised through the statement of comprehensive revenue and expenditure mainly consists of donations and interest received, bank fees, audit services and grants disbursed to licensed persons.

8.4.3 NEW ZEALAND EQUINE EDUCATION TRUST (NZEET)

The New Zealand Equine Education Trust is a private training establishment providing training and education to apprentice jockeys. NZTR contributes funding towards the administration costs of the NZEET.

8.4.4 NEW ZEALAND THOROUGHBRED RACING CLUBS

While Thoroughbred racing clubs are not related parties by interpretation of accounting standards, it is acknowledged that NZTR has provided loans and advances to Thoroughbred racing clubs during the year. Details relating to the terms and outstanding balances of club loans are disclosed in note 2.3.

8.4.5 RACING INDUSTRY TRANSITION AGENCY (RITA)

RITA is a continuation of The New Zealand Racing Board established under the Racing Act (2003). Its primary purpose is to promote and enhance the racing industry, run a profitable betting business and generate long-term profits for the benefit of, and distribution to, the racing industry. RITA charges NZTR with associated industry operating costs such as IT, shared property costs, broadcast services and venue services. RITA calculates interest on the distribution account on a monthly basis, which is either payable to or receivable by NZTR.

8.4.6 THE RACES LIMITED PARTNERSHIP (TRLP)

During the financial year ended 31 July 2017 NZTR, in partnership with Harness Racing New Zealand, established a 50/50 partnership named The Races Limited Partnership, for the acquisition of the Event Management Logistic business unit of the disestablished NZRB, now known as RITA. Acquisition and operational activity under TRLP commenced 1 August 2017. TRLP will continue to deliver services to racing clubs to support the marketing and management of events on course for the improvement of customer experience. Funding for the activities of TRLP has been secured through a three-year agreement with the RITA, partial cost recovery from racing clubs and application of gaming funds as appropriate to the gaming fund policy. TRLP is not intended to return a profit, however due to reduced activity whilst the partners explore a digital transformation project TRLP has made a significant surplus. The surplus for the year ended 31 July 2019 is \$759,357 (2018: \$301,315). The surplus has been reinvested into TRLP for the following season.

As the share in TRLP is material the investment value to be capitalised as at 31 July 2019 was \$379,678 being NZTR's 50% share of the equity value held in TRLP.

9 INSURANCE AND INDEMNITIES

NZTR provides Board member and officers' liability, statutory liability and professional indemnity insurance cover in respect of liability for losses or costs being incurred by a member of the Board or an employee of NZTR in the course of their duties to NZTR. NZTR indemnifies employees in respect of liability for loss or costs they incur in the course of their duties to NZTR provided that they have acted in good faith and in accordance with internal processes and practices.

NZTR holds a suite of liability insurance products on behalf of racing clubs. These include professional indemnity, internet liability, crime liability, employment disputes, legal prosecution defence, general liability, statutory liability, employers' liability and associations' liability insurances. Clubs are advised to maintain their own insurance over property, plant and equipment.

10 EMPLOYEE REMUNERATION AND ENTITLEMENTS

Provision is made for entitlements accruing to employees in respect of wages and salaries, annual leave and retirement entitlements when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee entitlements expected to be settled within twelve months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

	31 JULY 2019 \$	31 JULY 2018 \$
Annual leave	187,824	163,002
Accrued remuneration and entitlements	28,109	36,564
Total employee entitlements	215,932	199,566

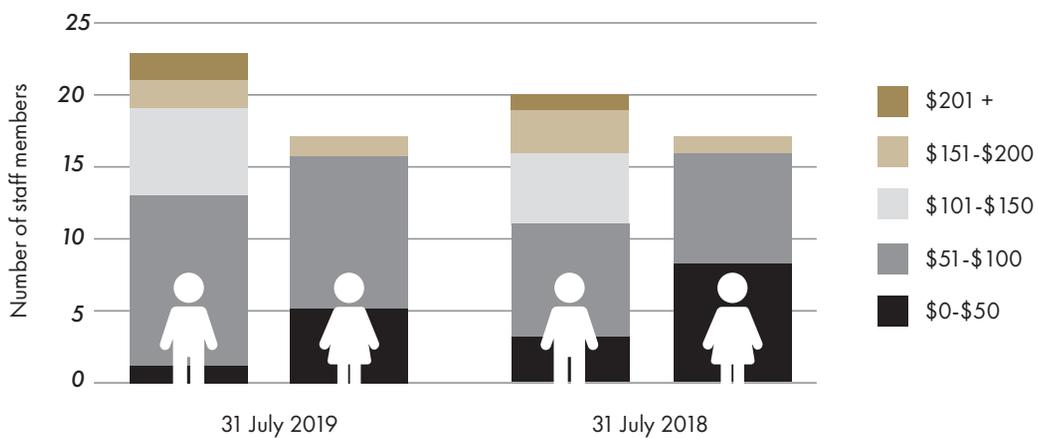
As at balance date there were 40 permanent or fixed term staff members employed by NZTR (2018: 37).

There were two employees engaged on fixed term contracts due to expire during the 2019/20 season.

As at 31 July 2019 there was 1 unfilled position (2018: 2).

	31 JULY 2019			31 JULY 2018		
	Total	Male	Female	Total	Male	Female
Petone head office	31	17	14	28	15	13
Cambridge satellite office	4	2	2	4	2	2
In field	5	4	1	5	3	2
	40	23	17	37	20	17

TOTAL REMUNERATION (\$000)



11 CONTINGENT LIABILITIES

A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. A contingent liability is recorded if the contingency is likely and the amount of the liability can be reasonably estimated.

There are no contingent liabilities. (2018: Nil)

11.1 INFRASTRUCTURE RESERVE CONTRACTUAL AGREEMENTS

There no outstanding contractual agreements. (2018: \$12,540).

11.2 LOAN GUARANTEES

Where NZTR has entered into financial guarantee contracts to guarantee the indebtedness of third party entities, a liability is recognised when it becomes probable that NZTR will be required to make a payment under the guarantee. If it becomes probable, NZTR will recognise an expense and corresponding liability based on estimates of future cash flows under the contract. At the end of each reporting period NZTR assesses whether its recognised liability is adequate in comparison to the estimates of future cash flows under the contract. If that assessment shows that the carrying amount of the liability is inadequate, then the entire deficiency is recognised in the statement of comprehensive revenue and expense.

On 5 January 2009, RITA provided a guarantee to the Bank of New Zealand in relation to racing at Awapuni, Otaki and Trentham Combined Enterprises Incorporated (RACE) to the value of \$8,820,000. In 2014 the NZRB renewed a loan of \$3,000,000 to RACE Inc. All loans were secured by mortgages over RACE property.

At 31 July 2019 the balances of the two loans were \$Nil and \$4,360,420 respectively (2018: \$4,560,420 and \$2,756,369). NZTR has provided a back-to-back guarantee to the RITA to cover the amounts guaranteed to the Bank of New Zealand and amounts loaned by the RITA.

As NZTR believes the value of the security provided by RACE is greater than the loan amounts outstanding, no value has been ascribed to this guarantee.

11.3 CAMBRIDGE SYNTHETIC TRACK

The Cambridge synthetic track project (the Project) involves the construction of a synthetic track by the Cambridge Jockey Club, in place of the existing course proper, at the Club's training centre in Cambridge. The synthetic track will be used principally for training and trialling but is also intended to hold approximately 16 to 20 race meetings during a synthetic race season from May to September each year.

Cambridge is the largest Thoroughbred training centre in the Southern hemisphere. It is, however, at peak capacity. In addition, its tracks are no longer suitable for the amount of training at the venue and its facilities overall are in need of an upgrade for the benefit of track users and the industry as a whole.

NZTR has agreed to work with the Club and the Racing Industry Transition Agency on the project.

In the event the total project costs exceed \$12.75m NZTR will meet the excess costs up to the value of \$0.7m.

12 CAPITAL COMMITMENTS

There are no capital commitments that will materially affect the financial statements (2018: Nil).

13 SUBSEQUENT EVENTS

There were no material events that would affect the financial statements (2018: Hawkes Bay Racing Inc. repaid their loan 1 August 2018 \$434,391).





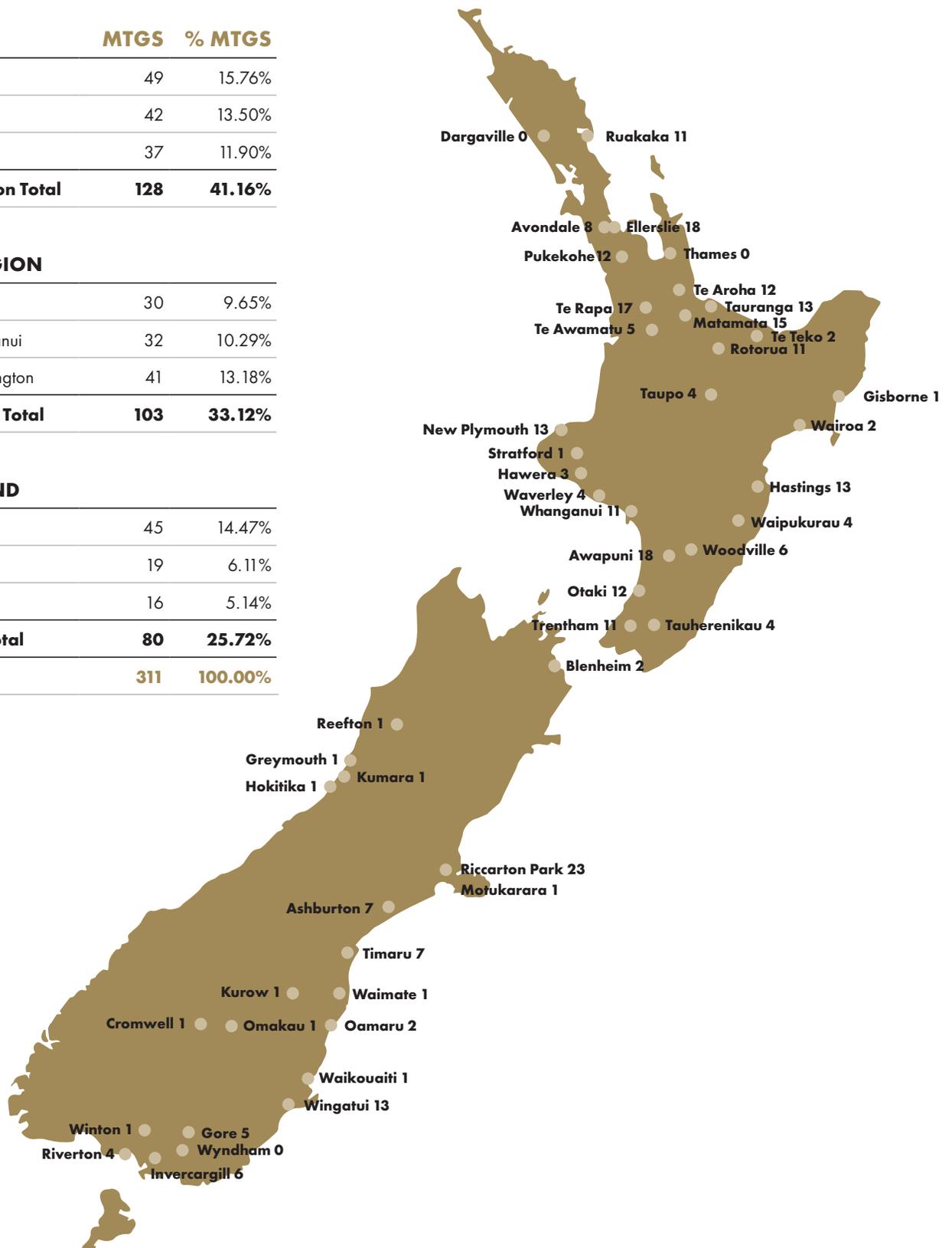
Thoroughbred venues

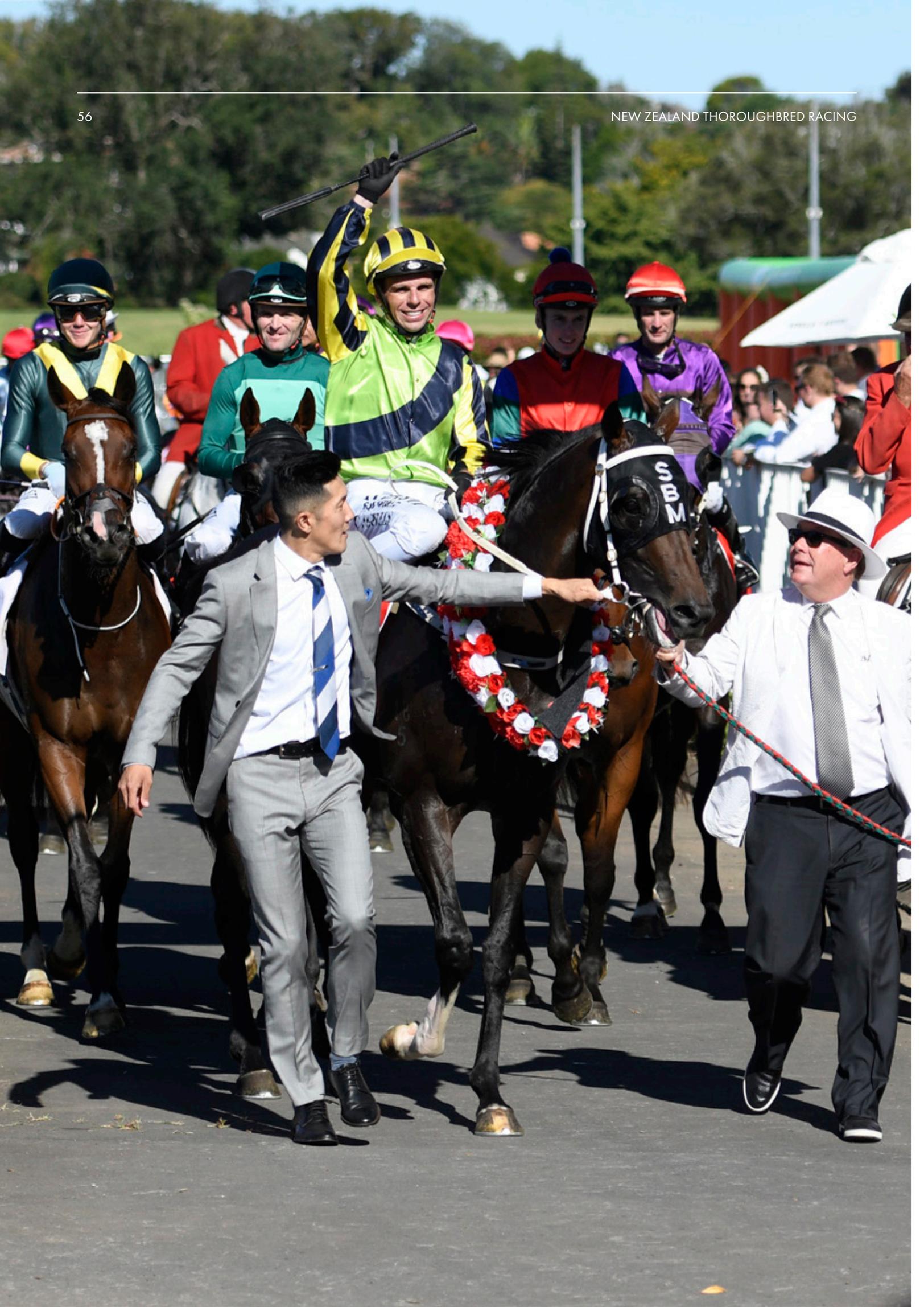
2018/19 MEETINGS HELD

NORTHERN	MTGS	% MTGS
Auckland	49	15.76%
Bay of Plenty	42	13.50%
Waikato	37	11.90%
Northern Region Total	128	41.16%

CENTRAL REGION	MTGS	% MTGS
East Coast	30	9.65%
Taranaki-Whanganui	32	10.29%
Manawatu-Wellington	41	13.18%
Central Region Total	103	33.12%

SOUTH ISLAND	MTGS	% MTGS
Canterbury	45	14.47%
Otago	19	6.11%
Southland	16	5.14%
South Island Total	80	25.72%
Grand Total	311	100.00%





Acknowledgements

The Board and Management wish to record their appreciation of the co-operation and assistance they have received during the 2018-19 season from the following people and organisations:

The Rt Honourable Winston Peters, Minister for Racing

The Office of The Minister for Racing

Racing Industry Transition Agency

Harness Racing New Zealand

Greyhound Racing New Zealand

Department of Internal Affairs

The Judicial Control Authority

Accident Compensation Corporation

Equine Branch, New Zealand Veterinary Association

Environmental Science and Research Ltd

Massey Foundation

Massey University

New Zealand Equine Health Association

New Zealand Equine Research Foundation

New Zealand Jockeys' Association

New Zealand Jumps Inc.

New Zealand Police

New Zealand Qualifications Authority

New Zealand Racing Laboratory Services Ltd

New Zealand Salvation Army

New Zealand Thoroughbred Breeders' Association

New Zealand Thoroughbred Marketing Ltd

New Zealand Thoroughbred Racehorse Owners' Federation

New Zealand Trainers' Association

Primary Industry Training Organisation

Racing Club Committees, Managers and Staff

Racing Integrity Unit

Racing Journalists and Broadcasters

Tertiary Education Commission

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